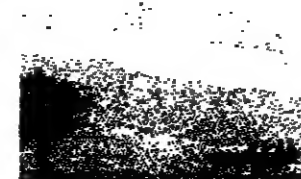




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Power generation  
Equipment makers  
look to Asia  
Survey, Section III

# FINANCIAL TIMES

Europe's Business Newspaper

TUESDAY MAY 25 1993

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## VW chief defends executive against allegations by GM

Volkswagen's top executives fought back publicly against a renewed legal attack from arch-rival General Motors of the US against José Ignacio López de Arriortua, alleged to have taken confidential documents when he defected from GM to the German motor group.

VW chairman Ferdinand Piëch said it was incredible that anyone should try to discredit Mr López's "irreproachable professionalism" and the image of VW. Page 19

## Major rejects attacks on his leadership style

UK prime minister John Major defended the review of welfare spending as essential to allow the government to "save where we can, to spend where we must" and rejected attacks on his leadership style in a wide-ranging interview with the Financial Times.

A fuller account of the interview will appear in tomorrow's FT. In it, the prime minister sets out his agenda for change in the European Community. Page 9

**UK rail link plans** Britain is considering a plan to fund a £2.5bn (£3.5bn) rail link between London and the Channel tunnel by inviting the public to buy shares in the project through a stock market flotation.

**French jobs packages** French prime minister Edouard Balladur is to announce measures today to help cut unemployment. Page 2

**BT's \$7.7bn sales** BT, UK telecom group, announced details of the £5bn (£7.7bn) sale of the government's 21.9 per cent stake in the group. Page 19; Lex; Page 18

**Writ against Bank of England over BCCI** Depositors in the collapsed Bank of Credit and Commerce International issued a writ against the Bank of England for allegedly failing in its role as regulator. Page 18

**Hoover to quit Dijon** UK vacuum cleaner company Hoover said it would go ahead with a controversial plan to close its factory in Dijon, France, and move production to Scotland. Page 18

**UK teaching faulted** The quality of technology teaching in England and Wales is inferior to courses in Germany, the Netherlands and Switzerland, according to the UK National Institute for Economic and Social Research. Page 8

**Solvay, Belgian chemicals company**, may be forced to close its first soda ash plant in Belgium because of fierce competition from the US and central and eastern Europe. Page 19

**Israeli growth slows** A closure imposed on the occupied territories two months ago is slowing Israeli economic growth, Israel's treasury said. In Lebanon Israeli paratroopers shot dead four colleagues in the army's most battlefield accident for several years. Page 4

## Mandela backs vote for 14-year-olds

A suggestion by African National Congress head Nelson Mandela (left) that 14-year-olds be given the vote stunned South Africa's political establishment - and surprised ANC senior members. South Africa's home affairs minister Danie Schutte said the suggestion would not receive serious consideration.

**Spain's Socialists accused** Spain's Socialist party may have illegally financed the 1986 referendum campaign to remain in Nato, a Madrid newspaper alleged. Page 3

**US trade index** US commerce secretary Ron Brown is to clarify the US trade picture by combining private sector services and the merchandise trade balance in a new quarterly index. Page 7

**Nikon**, Japanese camera manufacturer, reported its first loss since it was listed on the stock exchange in 1949. Page 21

**American hoteliers happy** Hoteliers in North and Latin America are gaining in confidence but their European and Asian counterparts say prospects are gloomy. Page 7

**Cannes festival prizes** The Piano directed by New Zealander Jane Campion and the Chinese film Farewell to my Concubine were awarded the Golden Palm at the Cannes film festival.

## Steinkühler offers to resign over share dealing row

By Quentin Peel in Bonn and David Waller in Frankfurt

MR Franz Steinkühler, leader of Germany's powerful IG Metall engineering workers' union, yesterday offered to resign after accusations that he benefited from insider dealing in the shares of Daimler-Benz.

At the same time he appealed for support from his union members to let him stay in office and win back their confidence.

In a separate letter to Mr Hilmar Kopper, the chairman of the

supervisory board at Daimler, of which he is a member, Mr Steinkühler said he would not attend any further meetings until an inquiry into insider dealing on the Frankfurt stock exchange reported on his particular case. That means he will not attend the company's annual general meeting tomorrow, at which Mr Steinkühler's position on the supervisory board is certain to be an issue.

His move was seen yesterday not as an admission of defeat by the most powerful union leader

in Germany, but as a calculated gamble to maintain his position.

In a letter to top officials of the 3.3m-strong union, he admitted that he had made a "political mistake" in buying and selling the shares of two companies closely linked to Daimler.

Although he denies the charge of insider trading in the shares of both Fokker, the Dutch aerospace manufacturer controlled by Daimler, and Mercedes AG Holding, the Daimler holding company, he admitted that it was wrong to have bought and sold

them at all as a board member.

He promised that all the shares had now been sold, and the profits paid into the solidarity fund for the recent strike by union members in the east German engineering and steel industries.

Mr Steinkühler bought DM1m (\$610m) worth of MAH shares, and earned a profit of at least DM64,000 on the sale of a first tranche, after Daimler decided to dissolve the holding company and exchange its shares for full company shares.

"I am clear today that it was

politically wrong for the first chairman of IG Metall to buy the shares of a company to whose supervisory board he belongs, regardless of when it was done," he said.

"In that sense, I have committed an error which has shaken not only my personal credibility, but has brought our organisation and our common goal into disrepute."

He said it was impossible for him to lead the union if he no longer had the trust of its membership.

He therefore offered to resign "if my behaviour proves too great a burden for the union".

His letter will be discussed today at a national executive meeting of IG Metall. However, any final decision on whether his resignation is accepted will almost certainly be left to a meeting of the union's national advisory committee - its most important body between national congresses - on June 8.

Protest fear over Bonn's asylum bill vote, Page 3

## EC leaders to consider job-creation strategies

By David Gardner in Brussels

EUROPEAN Community leaders are likely to consider a strategy for tackling unemployment in the EC which would create more jobs than economic recovery on its own is expected to produce.

A document which the Commission is expected to adopt tomorrow says unemployment could be cut by measures such as reducing employers' social security contributions and encouraging the sharing-out of jobs.

There are now 17.4m EC citizens without jobs, 10.3 per cent of the workforce.

The framework policy, which was approved in its essentials yesterday by the chiefs of cabinet of the Commission, puts forward a jobs-creation agenda for the next three presidencies of the EC, to the end of 1994. But the so-called "Community-wide framework for employment" avoids any challenge to Europe's welfare states.

The document says a return to the high economic and productivity growth of the late 1980s "would still leave the Community well short of a target such as 5 per cent unemployment."

But the Commission confidently states that "there is sufficient evidence and experience to suggest that ways of, at least, improving the situation can be found - over and above those which can result from higher levels of economic growth."

The proposed strategy, which is likely to be near the top of the agenda at next month's Copenhagen summit of EC heads of government, is the first EC-wide attempt to deal with structural unemployment. It focuses on ways of creating more labour-intensive growth.

The document notes that while Belgium and the Netherlands have similar labour productivity, the Dutch provide jobs for 10 per

PAGE 2  
■ Healthy ERM could still grow into Euro  
■ Germans opposed to Euro

cent more people of working age. The Danes earn less per head in real terms than western Germans, but have a much higher proportion of people at work.

Outside the EC, the Commission notes that the US had the same rate of output growth as the Community in the last decade, but that income growth per American worker was half EC levels. More jobs were created and household incomes rose.

In Japan, the document says, high productivity in the traded goods sector has created well-paid jobs in the service sector, where productivity is well below EC levels.

"You can have labour-intensive work while still providing a highly competitive product," said one senior Brussels official. "It's a question of how you share a given volume of employment between people."

The Commission stresses that its strategy is consonant with the "economic and social aims" of EC member states. It would "not exploit workers in a weak position in the labour market, or inhibit the development of the high value-added, knowledge-based jobs which will be the key to future competitiveness."

But it suggests that employers' "social contributions" - averaging 15 per cent of wages and salaries across the EC but varying between member states "from virtually 0 per cent to over 30 per cent" - affect job creation.

The five main points of its framework therefore call for: "reducing labour costs... notably by modifying the incidence of

Continued on Page 18



The devastated centre of Magherafelt in Northern Ireland where the Irish Republican Army exploded a 1,000lb bomb on Sunday

## Inquiry calls for EBRD overhaul

By David Hollier and Robert Peston in London

THE audit committee of the European Bank for Reconstruction and Development yesterday urged the bank to achieve "greater efficiency", in response to the slower than expected rate of loans and investment being made.

It urged the bank, which was set up to stimulate the growth of the private sector in eastern Europe, to introduce new budget disciplines, so executives cannot offset overspending in some areas by underspending in others.

The question of whether budgetary allocations should be transferable was the focus of a meeting yesterday of the bank's directors, who are officials representing the banks and agencies that own the bank.

The board meeting also confirmed the appointment of Coopers & Lybrand, the accountant, to assist the audit committee in its investigation into whether the £55.5m (\$85m) spent on furnish-

ing the bank's City of London headquarters was excessive. It emerged yesterday that the Swedish finance minister, Ms Anne Wibble, has called a meeting of finance officials of the leading industrial countries to review the audit committee's investigation into the bank's cost controls.

Ms Wibble called the meeting in her capacity as chair of the

bank's board of governors. It is being hosted in London today by the UK Treasury and will be chaired by Mr Claes de Neergaard, chairman of the EBRD's audit committee. Mr Jacques Attali, the bank's president, has not been invited.

A Treasury official said yesterday the British government was pleased with the way the audit committee had "got stuck into"

the task of reviewing financial controls at the bank.

Mr de Neergaard presented to the board meeting a report on the audit committee's work on improving budget controls and reviewing the spending of the £55.5m. The report noted that Mr Cedric du Monceau has taken over on a temporary basis as

Continued on Page 18

## Owen to consult EC leaders over future role as mediator

By Robert Mauthner in London and Laura Silber and Kevin Hope in Belgrade

LORD OWEN, together with Mr Cyrus Vance, fathered the ill-fated Bosnian peace plan, yesterday hinted that his future role as a mediator might be in doubt.

He told journalists he wanted to consult European leaders over the next few days before making a statement. Many observers believe the plan has been sidelined by the international strategy on containing the conflict.

Lord Owen said he was facing a "new situation" following last weekend's meeting in Washington at which the US, its European allies and Russia agreed to press ahead with "safe areas" for

Muslims in Bosnia and proposed the monitoring of the Serbian-Bosnian border to ensure that essential supplies to the Bosnian Serbs would not get through.

"My role as a negotiator stems from the European Community and I want to talk to them. I'll be talking to a number of people over the next few days," Lord Owen said.

He declined to answer when asked whether the Vance-Owen peace plan, providing for the division of Bosnia-Herzegovina into 10 semi-autonomous provinces, might be dead following the Washington agreement.

However, Mr Douglas Hurd, the UK foreign secretary, firmly rejected any such suggestion at a news conference in Copenhagen.

The new peace efforts in Bosnia should be seen as a prelude to the Vance-Owen plan, not as its replacement, he said. "What we were doing in Washington was to agree on the steps which we agree are immediately possible to stop the fighting and bring the bloodshed to an end."

In Washington, Mr Warren Christopher, the US secretary of state, defended the new policy of limited steps to contain the war in Bosnia as serving the interests of the American people.

Mr Vitaly Churkin, the special Russian peace envoy, also denied that the new strategy meant an end to the Vance-Owen plan, endorsed by the Bosnian Croats.

Continued on Page 18

| STOCK MARKET INDICES   |                       |          |  |
|------------------------|-----------------------|----------|--|
| FT-SE 100              | 2855.8                | (+13.4)  |  |
| Yield                  | 4.06                  |          |  |
| FT-SE Eurotrack 100    | 1198.08               | (+1.20)  |  |
| FT-AE Share            | 1357.91               | (+0.49)  |  |
| Nikkei                 | 20,476.16             | (-81.31) |  |
| New York Composite     | 2997.78               | (+14.35) |  |
| Dow Jones Ind Ave      | 2997.78               | (+14.35) |  |
| S&P Composite          | 447.57                | (+1.53)  |  |
| US LUNCHTIME RATES     |                       |          |  |
| Federal Funds          | 3 1/4                 |          |  |
| 3-mo Treas Bill: Yld   | 3.89%                 |          |  |
| Long Bond              | 101 1/8               |          |  |
| Yield                  | 7.00%                 |          |  |
| LONDON MONEY           |                       |          |  |
| 3-mo Interbank         | 8 1/4                 | (8 1/4)  |  |
| Life long gilt: Yld    | 104 1/4 (Jan 104 1/4) |          |  |
| NORTH SEA OIL (Aargau) |                       |          |  |
| Brent 15-day July      | 518.38                | (18.42)  |  |
| Gold                   |                       |          |  |
| New York Comex June    | 374.2                 | (377.9)  |  |
| London                 | 378.75                | (375.15) |  |
| Tokyo close            | Y 110.58              |          |  |

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## NEWS: EUROPE

## Bangemann criticises drug curbs

By Paul Abrahams in Salzburg

MR Martin Bangemann, European Commission vice president, yesterday criticised European governments for limiting spending on drugs. He warned that measures to hold down costs would affect drug companies' profitability and their ability to develop new medicines.

"Departments of health are waging an increasingly desperate struggle to control costs and the pharmaceutical industry is their favourite target, even though it accounts for only a small proportion of health care spending," he said.

This year the German, British and Italian governments have introduced or proposed measures to rein in drug spending.

Mr Bangemann told the European Federation of Pharmaceutical Industries' Associations conference in Salzburg that if companies continued to negotiate separate deals with governments, such as agreeing to invest in a country in exchange for high prices, they would not benefit from the single market. This was a vicious circle involving both companies and governments.

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## Balladur to borrow \$7bn to boost economic revival

By David Suchan and Alice Rawsthorn in Paris

MR Edouard Balladur, French prime minister, is to launch a \$7.4bn (£7.3bn) bond issue to finance job-creation measures and speed up public works to help revive the economy.

The government had already indicated it planned steps to bring down France's 10.7 per cent unemployment rate.

After talks with employers and unions in recent days, the prime minister has decided to use the parliamentary debate on the budget today to announce the "acceleration" of measures to raise employment, which he had intended to leave until the autumn.

According to La Tribune newspaper, the measures could include an extra FF2bn to keep young people in work experience schemes, in addition to the FF7bn payroll tax cuts in the May 10 budget and accelerated spending of the extra FF1.5bn already pledged for public works.

Mr Philippe Auberger, the parliamentary budget rapporteur, welcomed the government's intention to fund a job-creating initiative through a special bond issue. The government could thereby take advantage of the fall in the cost of money - which continued its decline yesterday when the Bank of France cut its

intervention rate from 7.75 per cent to 7.5 per cent and the five-to-10-day lending facility from 8.75 per cent to 8.5 per cent. Mr Auberger said investors might hurry to subscribe to a new loan before rates fell any further.

Economists are now waiting to see whether the commercial banks will follow the Bank of France's lead by cutting base rates as they did two weeks ago - from 9.25 per cent to 9 per cent - following the last cut in official interest rates.

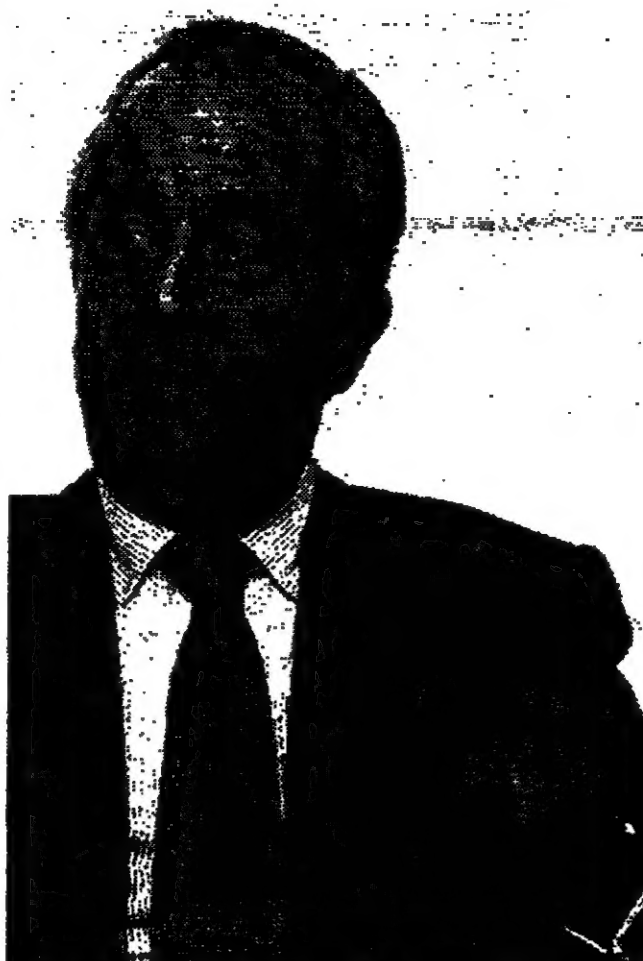
The reduction yesterday means that the cost of France's official short-term facility has fallen from 12 per cent to 8.5 per cent under the new government.

So far, lower interest rates have had little impact on the French economy, which is plagued by sluggish consumer spending and industrial investment. Public borrowing for 1993 was last set at FF220bn in December. Since then, the official budget deficit estimate for this year has been raised from FF165bn to FF181bn.

● Norway's central bank yesterday announced a cut in the key overnight lending rate to 7.50 per cent from 7.75.

It was the 12th rate cut so far this year, with rates having started 1993 at 11 per cent.

The bank said the move was part of the downward trend in European interest rates.



Balladur: Jobs package to be unveiled today

## Europe urged to end reliance on US

By Lionel Barber in Brussels

EUROPE must develop an independent army to tackle security threats on the continent rather than rely on the US to come to the rescue, Mr James Dobbins, outgoing US ambassador to the European Community, said yesterday.

In a reference to recent divisions within the alliance over how to respond to the conflict in former Yugoslavia, Mr Dobbins said: "The American people, in my judgment, are unlikely to support a long-term US troop commitment to Europe if they see its purpose

as protecting rich, prosperous Europeans against two-bit outlaws like Serbia."

Mr Dobbins added: "Until the major European nations, including Germany, are prepared to send their young men abroad to fight, and to die if necessary, in a European flag, and within a European command, no amount of planning for a European security identity will field a single battalion."

Mr Dobbins, who was speaking in Brussels at the Centre for European Policy Studies, acknowledged his speech was

drafted before the latest alliance moves to end divisions over how to respond in Bosnia. But they also mark a shift in thinking in some US circles toward a sharing of burdens in the post-cold-war era, between the Nato alliance and an emerging European defence identity, probably the Western European Union, particularly where there was no vital US interest involved.

Mr Dobbins also urged the EC to integrate Russia, along with other east European countries into a new Euro-Atlantic community.

He suggested parallels

between Russia's position in 1993 to Germany's position in 1945. Just as Germany (albeit divided) was integrated into western institutions such as Nato and the EC, so Russia should be included in arrangements for eastern Europeans.

"An arrangement whereby western Europe provides security to Russia's neighbours while the US establishes a strategic partnership with Russia is a formula for disaster," he said.

Mr Dobbins, a career diplomat, is to be replaced in the summer by Mr Stuart Eizenstadt, a Democrat appointee.

## 'Healthy' ERM could still grow into Emu

Lionel Barber assesses EC finance ministers' steps likely to restore confidence in currency system

TO TALK of a new realism permeating the affairs of the European Community may be premature. But after two days of talks in a former sanatorium in Kolding, Denmark over the weekend, EC finance ministers took several steps likely to rebuild confidence in the European exchange rate mechanism, while keeping the more ambitious project of European Monetary Union in their sights.

Mr Horst Köhler, German state secretary of finance, picked up the meeting's central theme: the need to regain credibility. He doubted whether a majority of EC member states would be ready for monetary union by 1997, the earliest date set down in the Maastricht treaty, and he served notice that Germany would not support moves to water down the targets on inflation, budget deficits and government debt - the so-called "convergence criteria".

Without as much as a whimper, all present agreed. Mr Jacques Delors, European Commission president and one of the architects of Emu, declared that there was no need for change. Mr Philippe Maystadt, Belgian finance minister, who just a week ago predicted that member states would have to alter the targets if the recession continued into 1994, said he had been misunderstood.

"There is not going to be a fast-track to monetary union," said an EC official. "It's going to be a long hard slog."

Clearly a funny thing happened on the way to Kolding. There are two likely explanations: one is that ministers are desperate to capitalise on the Danish Yes in the (second) referendum last week on the Maastricht treaty, and are well aware that loose talk about amending its provisions would scare the markets.

Just as important is the influence of the two high-level official investigations into the exchange rate crisis last autumn which led to the forced departure of the British pound

and the Italian lira from the ERM, followed by devaluations of the peseta, the escudo and the punt.

In a commendable exercise in transparency, the Danish presidency of the EC won agreement to make public the reports, one by the committee of central bank governors and one by the EC's monetary committee. Both reject wholesale reform of the ERM, emphasising instead the need to apply the rules more rigorously.

By spreading the blame for the crisis, the committees defuse the Anglo-German row that followed it: the Bonn government is criticised for financing unification through borrowing, a policy mix which forced up interest rates and deepened the recession in Europe. The UK is implicitly rebuked for sticking to an overvalued exchange rate and failing to raise interest rates to deter speculators.

The reports' conclusions could have come out of the mouth of the Bundesbank: each member state must first put its own economic house in order, and no member state has an obligation to intervene in the markets to

prop up weaker currencies.

Ministers supported a call for an "early warning system" whereby the monetary committee or central bankers would use confidential economic indicators to strengthen the case for a member state to devalue.

The call for frank, if confidential discussions prior to devaluation may be easier said than done, according to an EC official involved. As was evident during the crisis last September, ministers and officials prefer to use code rather than spell out the case for a general realignment in the ERM.

Yet Kolding's achievement was to produce a consensus on the ERM - even among the weaker currency members such as Spain and Portugal and those outside the system such as the UK and Italy. This consensus is an essential building block for Emu, said one EC official.

Mr Norman Lamont, UK chancellor of the exchequer and an outspoken critic of the Bundesbank, conceded that the German central bank had fulfilled its obligations in support of sterling in the run-up to Black Wednesday.

Editorial comment, page 21

## Poll swings against EC

A single currency and European monetary union are opposed by 60 per cent of Germans, according to the latest Eurobarometer poll on EC opinion, which more predictably shows 65 per cent of Danes and 60 per cent of British against, writes David Gardner in Brussels.

Overall, however, 52 per cent of Europeans favour a single currency, with 38 per cent against.

However, there are big majorities for a common foreign and security policy - averaging 66 per cent to 19 per cent across the EC - and wide support (77 per cent against 13 per cent), everywhere except

Denmark, for a common defence regime. Majority opinion in all countries except Denmark, Germany and Greece, moreover, supports EC military intervention in Bosnia to establish peace.

Support for the EC has nonetheless dropped since the twice-yearly Eurobarometer last appeared in November.

Maastricht is supported by 41 per cent, with 24 per cent against and 35 per cent undecided. More strikingly, 47 per cent are unhappy about democracy in the EC. The Commission withheld the poll results until the Danish referendum on Maastricht was over.

**Q: Who gives you First Class when you've bought Business Class?**

(TO CALGARY, EDMONTON AND VANCOUVER THIS SUMMER).



**Q: Who gives you First Class champagne and caviar when you've bought Business Class?**

(TO CALGARY, EDMONTON AND VANCOUVER THIS SUMMER).



**Q: Who gives you First Class luxury seats when you've bought Business Class?**

(TO CALGARY, EDMONTON AND VANCOUVER THIS SUMMER).

If you've bought full fare Business Class flights to Calgary, Edmonton or Vancouver this summer, Air Canada will move you automatically to First Class. Offer closes at the end of October, so get in touch with your travel agent for details, or ring Air Canada 081 759 2636 from London or 0800 181313 from elsewhere in the UK.



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**TELEFONICA IN ROMANIA**

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The Telemobil Service, which for the time being covers the area of Bucharest, will expand to attain national coverage, thus allowing telecommunications to reach those areas where there is no access to basic telephone services.

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مكازم التحصيل



## Russia hopes for big IMF pay-out soon

By John Lloyd and Leyla Boulton in Moscow

THE Russian government and the central bank have agreed ambitious targets to cut credit expansion, inflation and the budget deficit, clearing the way to receive the first half of the \$3bn (£1.9bn) systematic transformation facility from the International Monetary Fund.

The government and the bank said they would retain tight control of credit expansion and attempt to reduce monthly inflation to 9 per cent and the budget deficit to 5 per cent of gross national product by the end of the year.

Mr Alexander Shokhin, deputy prime minister for foreign economic affairs, yesterday said he expected the first \$1.5bn tranche of the facility within a month, and the second tranche in the second half of this year. A further \$4bn should also be paid over in the latter half of 1993, he said, as the largest part of the IMF stand-by loan which is conditional upon Russia getting economic reform back on track.

Mr Shokhin hoped the July meeting of the heads of state of the Group of Seven industrialised nations in Tokyo would agree a further \$4bn fund, proposed by the US, to assist with the privatisation process. Privatisation of small, medium and large enterprises is proceeding rapidly in Russia, although the newly privatised companies desperately lack

capital and management expertise. Mr Anatoly Chubais, deputy prime minister in charge of privatisation, admitted at the weekend that he had been "very concerned" before the referendum that reform and privatisation would both fail. But since the referendum, all those regions that had refused to sell off state companies through auctions had now agreed to do so. "By June 1 not one region will stand out against the government's programme," he said.

The price of the privatisation vouchers, which had sunk below Rbs4,000, had risen to Rbs500, and the federal parliament had given up attempts to stop the privatisation process, he said. "Not because they have become supporters of privatisation, but because they know they would lose support if they tried to stop it."

Mr Chubais also thought further reforms of the Russian cabinet were imminent, with radical officials likely to be promoted in order to encourage reform.

However, Mr Shokhin sounded a note of caution on reform when he expressed some scepticism over the agreement between the bank and the government because of the difficulties of controlling credit expansion from the central bank under the chairmanship of Mr Victor Geraschenko. Mr Geraschenko has recently commented that the agreement to limit credit expansion to 30 per cent in the



The Patriarch of the Russian Orthodox church, Alexei II (left), speaking to Patriarch Parfeni III of the Alexandria church at a ceremony in the centre of Moscow yesterday before a statue of the ninth-century Byzantine missionaries, Cyril and Methodius, who are credited with having invented the Slavic alphabet

current quarter and a further 30 per cent in the second half of this year could not succeed.

The deputy prime minister also said that Mr Boris Yeltsin, the Russian president, is to go to Copenhagen from June 19 to 21 for talks with the leaders of the European Community on a possible agreement between Russia and the EC on what Moscow alleges are discriminatory practices against its products. Mr Georgy Gabunia, the

deputy trade minister said that the EC had designated Russia as a state-aided economy in which large subsidies were paid on its goods.

However, the Russian side will argue that prices have largely been freed and that it is inconsistent to end discrimination against the Baltic states - whose economies are still substantially state-owned - while retaining them against Russia and other former Soviet republics.

## New leads in Italy scandal

Telecoms industry widens tangle of inquiry, writes Haig Simonian

BY arresting a string of leading telecommunications executives, including the local heads of multinationals such as Siemens and Ericsson, Italy's magistrates have plugged into an important new line in the political corruption scandal.

Cynics have already resumed the ministry of posts and telecommunications the *ministro delle poste e telecomunicazioni*, reflecting the stream of allegations regarding billions of lire in kickbacks on big telecoms contracts.

The information, based largely on the leaked testimony of Mr Davide Giacalone, a former adviser to Mr Oscar Mammì, the former posts minister, has proved a deep embarrassment to the Republican party. Small but influential, the Republicans have managed to remain relatively unscathed by the corruption scandal, in spite of a warning to Mr Giorgio La Malfa, their former leader, of possible prosecution on allegations of illegal party funding.

That calm was shattered at the weekend after leaked testimony by Mr Giacalone alleged the Republicans received about 1.5bn (£4m) in kickbacks on telecoms business between 1987 and 1990. The allegations prompted magistrates to inform Mr La Malfa and Mr Mammì that they were under investigation on more serious charges of receiving illicit funds and illegal party funding. Both politicians protested their innocence, and Mr Mammì is to resign as an MP, which removes his parliamentary immunity.

The revelations also embarrassed Mr Silvio Berlusconi, Italy's media magnate, after it was learned Mr Giacalone

Milan magistrates have opened another significant line of enquiry into corruption in the form of political kickbacks on contracts controlled by the Culture Ministry, Robert Graham reports from Rome. Yesterday, police arrested Mr Alberto Ciampaglia, former treasurer of the small Social Democrat party, for allegedly receiving a 1.400m (£175,510) payment from an architect for restoration work. Last week Ms Vincenza Bono Parrino, Social Democrat culture minister from 1988 to 1989, was warned she was under investigation for allegedly receiving 1.25bn for restoration contracts for historic monuments.

Mr Ciampaglia was one of four people arrested yesterday in connection with the culture ministry enquiry. In another development, Mr Francesco Forte, a prominent Socialist senator and former finance minister, announced he had received notice that he was under investigation for allegedly receiving illicit funds.

worked as an independent consultant to Mr Berlusconi's Fininvest group on leaving the ministry. Among Mr Giacalone's tasks for Mr Mammì was advising on the highly sensitive allocation of valuable broadcasting frequencies, an issue of concern to Fininvest, which controls Italy's three biggest private TV channels.

Telecommunications are likely to keep magistrates engaged for some time. In the past 10 days, they have arrested the heads of the Italian telecoms subsidiaries of Sweden's Ericsson, GEC Marconi of the UK and, most recently, Germany's Siemens. Both Alcatel and Pirelli, leading cables producers, have also reportedly admitted to paying kickbacks.

In the past three days, magistrates have made two further calls. Mr Luigi Montella, managing director of Sirti, the network engineering subsidiary of the huge, public-sector Stet telecommunications group, was arrested at the weekend. And yesterday saw the arrest of Mr Tommaso Rea, a senior Stet executive who headed its Seat yellow pages divisions until last year and now runs its AET subsidiary. The

involvement of Stet, one of Italy's biggest companies and closely followed by international investors, marks a potentially explosive development in the inquiries, which have so far focused on the former ASST state telecommunications agency.

Unlike the UK, France or Germany, Italian telecommunications is split between seven different companies. Stet, which is majority-owned by the Iri state holding company, is the umbrella group for Sip, the main telephone utility; Italcable (international calls); Telespazio (satellite communications); Sirti and Italtel (equipment manufacturing).

The group is notorious for its political appointments. Top executive posts have mushroomed to accommodate the political parties' desire for representation, while co-ordination is limited and in-fighting endemic.

Until this year, ASST was an additional player in the telecoms game. Directly controlled by the post ministry, rather than Iri, the agency in theory dovetailed between Sip and Italcable. ASST handled inter-city truck traffic (leaving Sip

to make local connections at either end) and shorter-distance international calls (with intercontinental business left to Italcable). In a belated attempt at rationalisation, ASST was transferred to Iri this year, and renamed Iritel. The company which employs about 18,000, is expected to disappear in a restructuring which may leave just one telephone utility by the late 1990s. Both ASST and Stet have invested massively to bring the once lamentable telephone system up to date. Sip alone had a £5,000bn-a-year investment plan for 1988-91, which was stepped up to £11,000bn yearly for 1992-95.

The allegations of kickbacks have so far been restricted to ASST, with indications that the agency, linked directly to the political establishment, was used as a direct source of funds. The investigations started after Mr Giuseppe Parrella, former director general of ASST, was arrested in connection with alleged kickbacks of 1.40bn on 1.250bn of business involving domestic and multinational telecoms group between 1987 and 1991. Soon after came the arrest of Mr Giuseppe Lo Moro, a former assistant to Mr Parrella, and then Mr Giacalone.

The telecoms inquiries are probably still in their infancy. Magistrates are already looking into the links between ASST and the posts ministry. So far, Mr Antonio Gava, Mr Carlo Vizzini and Mr Mammì, the three post ministers between 1987 and 1991, have all been told they are under investigation for alleged political corruption. However, Mr Mammì is the only one so far facing allegations specifically relating to his term of office.

## González faces another scandal over party funds

By Peter Bruce in Madrid



Illegally financed the 1986 referendum campaign to remain in Nato.

The Socialist party, while not denying the charges, said they were a political attack. The income was not illegal, the party said, since it predated the current party financing law.

The allegations, published so close to the election, are bound to have an electrifying effect on wavering voters. The conservative Partido Popular (People's party) and the Socialists continue to run neck-and-neck in the polls. Although the Socialists appear to have escaped from the recent peseta devaluation and increase in unemployment with little damage, a new corruption scandal could be much more wounding.

Polls suggest that up to half the electorate is undecided, and many former Socialist voters have been dismayed by the torrent of corruption charges made against the

party in the last four years. El Mundo, the newspaper which published the charges, alleged the party raised more than \$3.3m in 1986, mainly in the form of commissions paid to the party by construction companies. El Mundo has been responsible for uncovering nearly all of the scandals that have weakened the prime minister, Mr Felipe González, including the so-called Fílea scandal, which is credited with having forced Mr González to call an early election.

Fílea was a dummy consultancy company run by Socialist party officials, which raised more than \$5.4m in the late 1980s by selling reports and services to client companies. None of the reports has ever been produced and Treasury inspectors suspect they do not exist. The Fílea cash is alleged to have been used to finance the Socialists' 1989 election campaign.

The new El Mundo claims came on the day Mr González was due to hold a televised election debate with his main political challenger, the People's party leader, Mr José María Aznar. Up to 10m people were expected to watch the debate, the first ever in a Spanish election.

Voters see little difference between the PP and the Socialists on economic policy, so the corruption allegations could have a decisive effect.

## Protest fear over Bonn's asylum bill vote

By Ariane Genillard in Bonn

DEMONSTRATORS are expected to gather in Bonn today and tomorrow to protest against the German parliament's plan to change the constitution and curb the influx of asylum seekers.

An additional 3,000 policemen and border guards will patrol the city to prevent the protest turning to violence ahead of the parliamentary vote, due tomorrow.

The government said that it feared trouble after learning that extreme left-wing groups had vowed to prevent the parliament from voting. Some 10,000 people are expected to take part in the demonstration. The largest protest action will be headed by Support Action for Asylum, an umbrella organisation gathering together various church groups, the Greens, the small German Socialist party, and movements against racism.

The demonstrators are protesting against changing article 16 of the German constitution which grants any refugees the right to seek asylum in the country.

However, the parliament is expected to vote for an amendment allowing asylum-seekers to be sent back over the German border to third countries such as Poland and the Czech republic.

The constitutional amendment, which requires the support of the opposition Social Democrats (SPD) in parliament, was drawn up after two years of heated debate over Germany's liberal asylum rights.

Since the beginning of the year, some 150,000 refugees have applied for asylum. Eighty per cent of the asylum seekers entered Germany from Poland or the Czech republic.

SPD leaders have appealed to their party's MPs to vote in favour of the proposal. But a strong minority of left-wing deputies is fiercely objecting to the amendment.

The SPD parliamentary whip, Mr Peter Struck, says there are about 100 rebels among the SPD's 259 deputies in parliament.

This is too few to block the bill, for which Chancellor Helmut Kohl needs only about 45 SPD votes.

They argue that countries such as Poland and the Czech republic do not have the infrastructure to house large numbers of refugees and lack the legal environment to ensure fair asylum proceedings.

Germany and Poland recently signed an agreement to allow refugees to be sent back across the border.

## Polish row over shipyard sell-off

By Christopher Bobinski in Warsaw

A POLISH government decision to suspend the sale of the Szczecin shipyard, at the behest of President Lech Walesa, has provoked strong protests from local unions.

Mr Walesa made the move after meeting Mr Marian Jurczyk, the leader of the radical Solidarity 80 union, which wants the yard to be privatised through an employee buy-out. However, the Solidarity union and the local branch of the former communist OPZZ have criticised Mr Jurczyk's proposals and back the original privatisation plan. The shipyard is one of Poland's most successful enterprises.

The original plan involved the sale of 30 per cent of the yard's equity to its domestic creditor banks and 30 per cent to the 5,000-strong workforce. A further 9 per cent would be sold to management and 10 per cent would go on public offer. Last year, the yard negotiated a reduction of its near

2,000bn zloty (\$73.3m) debt. Poland's Bank Handlowy has also opened a three-year \$100m (£71.4m) credit line for the yard. Sales last year reached over \$180m, with the yard, which receives no subsidies, breaking even.

Cuts in delivery schedules and low labour costs have made it competitive on the German market, where it is supplying 60 per cent of medium-sized container vessels.

The yard's managing director, Mr Krzysztof Piotrowski, called the government's decision "tragic".

The yard had hoped to establish an "industrial group" modelled on Japanese giants such as Mitsubishi or even Kvaerner, the Norwegian shipping group.

● Kidder Peabody, the US investment and brokerage house, has been appointed by Poland as its adviser on restructuring the country's \$12.1bn commercial bank debt. Negotiations on the debt are expected to last until the end of the year.

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## NEWS: INTERNATIONAL

## S Korean military chief sacked

By John Burton in Seoul

SOUTH Korean President Kim Young-sam yesterday sacked the chairman of the joint chiefs of staff in a continuing purge of the military under the new civilian government.

In his first three months in office, Mr Kim has replaced many senior commanders in an attempt to impose firm civilian control over the military, which ruled the country for the past 32 years.

Most of those dismissed have been army officers who are members of the Hanahoe (One Mind) society, which plotted the last coup in 1979 and includes the two previous presidents, Mr Chun Doo-hwan and Mr Roh Tae-woo. Hanahoe consists of the graduates from the Korean military academy in the 1960s.

In what is regarded as a move to reduce the influence of the army, the biggest and most powerful service, Mr Kim appointed the air force chief, Gen Lee Yang-ho, as the new chairman of the joint chiefs of staff to replace Gen Lee Pil-up of the army. The position has previously been held only by army generals.

The appointment of the air force chief may also be an attempt by Mr Kim to make amends to the junior services after the recent arrest of a dozen air force and navy officers on corruption charges including bribery to obtain senior commands.

The air force and navy complained they were being unfairly punished, since Mr Kim was ignoring suspected cases of corruption in the army.

The corruption charges have threatened to damage severely relations between Mr Kim and the military when tensions are growing with North Korea over its suspected nuclear weapons programme.

Mr Kim then tried to improve ties with the military by cancelling plans to prosecute the officers for corruption, although they were dismissed from the service.

The current purge, however, has support within the military, particularly among younger officers who have seen their chances for promotion blocked by the older generation affiliated with the former military dictatorship.

## Progress in Tokyo airport row

By Robert Thomson in Tokyo

A PARTIAL settlement was reached yesterday in a 25-year dispute between the Japanese government and protest groups which have blocked the construction of the New Tokyo International Airport at Narita.

The continuing Narita protests and the opposition of local farmers' groups have succeeded, to the embarrassment of the government, in crippling plans for two runways and a high-speed railway link from the airport to central Tokyo.

At a meeting yesterday, the government agreed to halt preparatory work on the two runways and withdraw applications to seize land which residents have refused to sell.

In return, an influential protest group, Aisatsu, will join a forum to plan the final stages of the airport's construction.

The agreement does not include two other farmer-backed protest groups which still own land in the path of the proposed runways. One of those groups insists that the entire Narita project, including the buildings already completed and open for business, must be scrapped.

However, the government hopes those groups will join Aisatsu in the forum, due to be established late this year. Mr Imai Ochi, the transport minister, hailed the agreement as a "new beginning", but it still remains unclear as to when the dispute will come to an end.

## Cambodia shatters myth of Japanese warrior

Timidity among Tokyo's UN contingent has embarrassed the government, writes Victor Mallet



CAMBODIAN ELECTIONS

FEW of the foreign contingents working for the United Nations in Cambodia can have been as pleased as the Japanese that the first two days of the UN-organised election this week passed off much more peacefully than expected.

Japan's attempt to forge a new and more prominent role for itself on the international stage - symbolised by the choice of the Japanese diplomat Mr Yasushi Akashi as chief of UN operations in Cambodia - has been afflicted by both tragedy and ignominy.

The killing of two Japanese peacekeepers in separate attacks in April and May prompted anxious Japanese at home and fearful Japanese policemen in Cambodia to ask the Tokyo government to withdraw its nationals and thus end its first use of ground forces abroad since the second world war.

Such a move would probably have put an insurmountable obstacle in the way of Japan's efforts to earn a permanent seat on the UN Security Council.

For the time being Mr Kiichi Miyazawa, Japan's prime minister, has held firm, reiterating his country's commitment to the UN Transitional Authority in Cambodia (Untac) while sending senior officials to Phnom Penh to plead for improved security for Japanese and other forces.

Japan, whose contributions to Cambodia included 600 members of an engineering battalion and 75 unarmed policemen, has had an unhappy record in the country, although there is so far no evidence that its nationals are being targeted by Khmer Rouge guerrillas as the



UN Cambodia chief Yasushi Akashi (centre) is escorted by French legionnaires at a polling station yesterday

"soft underbelly" of Untac's 22,000 peacekeepers.

Atsuhito Nakata, an idealistic and dedicated 25-year-old civilian volunteer working as a district electoral supervisor, was ambushed and murdered with a Cambodian assistant in Kompong Thom province in April. It is not clear whether he was killed by the Khmer Rouge or by frustrated job seekers denied lucrative employ-

ment with the UN. Haruyuki Takada, a 33-year-old policeman, was killed in north-western Cambodia earlier this month in a Khmer Rouge attack on a UN convoy.

After the second killing, several Japanese policemen deserted their posts and sought the safety of the capital, to the intense embarrassment of the Japanese government

and Mr Akashi. Mr Hiroto Yamazaki, head of the Japanese police in Cambodia, asked for his men to be withdrawn from the country.

"It's absurd," said one diplomat from another nation contributing forces to Untac. "You can't have countries taking that sort of unilateral action."

At least four of the policemen are still in Phnom Penh, although Untac

threatened to disrupt the UN-organised elections, but it may have decided to renew ties with its old allies in the royalist camp in the hope of a FUNCINPEC victory.

Prince Norodom Ranariddh, the FUNCINPEC leader, and his father Prince Sihanouk, the former "god-king", have called for reconciliation with the Khmer Rouge, whereas the

government says it will treat the guerrillas as bandits if it wins the election.

According to the UN Transitional Authority in Cambodia, between 60 and 70 per cent of those registered have already voted; the voting ends on Friday.

## KHMER ROUGE ALLOWS GUERRILLAS AND CIVILIANS TO VOTE

of death, reports Victor Mallet from Phnom Penh.

About 200 Khmer Rouge cadres emerged from the wilderness to vote at Poipet on the Thai border on Sunday.

UN officials said yesterday. In some districts the Khmer Rouge instructed its supporters to vote for FUNCINPEC, the royalist party and the main electoral rival

to the Phnom Penh government. The Khmer Rouge pulled out of a peace accord signed by the four main Cambodian factions in 1991 and

threatened to disrupt the UN-organised elections, but it may have decided to renew ties with its old allies in the royalist camp in the hope of a FUNCINPEC victory.

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## Palestinian curbs 'hurt Israel'

By Our Jerusalem Correspondent

ISRAEL'S treasury forecast yesterday that a closure imposed on the occupied territories two months ago is slowing Israeli economic growth in 1993 and accelerating inflation. It said the closure, limiting the number of Palestinians from the territories allowed to work in Israel, had mostly hurt building and farming sectors.

The treasury report, given to Prime Minister Yitzhak Rabin's cabinet on Sunday, predicts the closure will slow economic growth by 0.5 to 1 per cent while boosting annual inflation by 2 to 3 percentage points.

For the moment, however, the economic strictures are confined to the Palestinians.

At Rabin's fruit and vegetable market in the Gaza strip, dozens of boxes of lemons and peaches have been slowly spoiling for a week. "There are no buyers because there is no

money. And there is no money because nobody in Gaza can work these days," says one of the market stallholders.

Introduced following the killings of 16 Israelis by Palestinians in March, the closure was initially welcomed by some Palestinians. Israel, they rea-

soned, was, in effect, returning to its pre-1967 borders, acknowledging that it could not guarantee its own security. Surely withdrawal could not now be far away.

But two months on, harsh economic reality has replaced such thinking. Before the closure, about 130,000 Palestinians from the occupied territories crossed the checkpoints daily

to jobs in building, agriculture and industry inside Israel. Today, only about 45,000 have permits. The rest are jobless and, after Sunday's Israeli cabinet rejection of proposals to award them unemployment pay, increasingly short of cash.

Israeli security forces are concerned at the 'pressure cooker' atmosphere building up among jobless, impoverished, frustrated Palestinians

Mr Uter Turkmen, the visiting commissioner-general of the United Nations Relief and Works Agency last week that they estimated the closure was costing them \$5m a day in lost wages and other side-effects.

"And with their depressed economy," noted Mr Turkmen, "that is a huge sum."

Sunday's cabinet meeting did approve the allocation of

\$100m (\$7m) to create 20,000 jobs in the territories in the next two months. But even assuming that many jobs can be created so quickly, this would leave another 5,000 Palestinians out of work as a direct result of the closure.

Mr Rabin is apparently so delighted by the marked reduction in Palestinian attacks on Israelis since the closure began that he would like to maintain it for weeks if not months to come.

But the policy is facing growing opposition from a variety of sources. The UN secretary-general, the UNRWA commissioner-general, the president of the International Red Cross and the US State Department have all in recent days urged Israel to ease conditions in the territories.

The Israeli security forces too, are expressing the concern at the "pressure cooker" atmosphere building up among jobless, impoverished, frustrated Palestinians.

## US warns Saddam on Kurds

US secretary of state Mr Warren Christopher yesterday warned President Saddam Hussein of Iraq not to launch an offensive against Kurds in an autonomous enclave of northern Iraq, Reuters reports.

The New York Times reported yesterday that Iraq was massing troops and weapons along a 280-mile front line with the Kurdish enclave and was preparing to attack, possibly within the next two weeks.

Mr Christopher partially confirmed the report before meeting Mr Youssef Bin Alawi Bin Abdullah, Oman's foreign minister.

He said: "There have been some preliminary reports with respect to Iraqi troop movements and what I would say to Saddam Hussein is that we intend to enforce the United Nations resolutions with great resoluteness."

## Eritrea achieves independence

Eritrea, the northernmost province of Ethiopia, yesterday formally declared itself the world's newest nation. AP reports from Addis Ababa.

President Isaias Aferwerki, the key leader in a 30-year war of independence, called it a "moment of joy and resurrection for Eritrea" and appealed to the international community for help to rebuild his young state.

## Saudi ultimatum to Mecca pilgrims

Saudi Arabia has warned that it will severely punish anyone who passes out political leaflets, books or tapes during this year's pilgrimage to Mecca, Reuters reports from Dubai.

More than 700,000 Muslims from around the world including 100,000 Iranians have flocked to Saudi Arabia for the annual pilgrimage to Islam's holiest city.

## African country is darling of the World Bank, reports Joel Kibazo

## Museveni seeks to lift Uganda's business profile

WHEN President Yoweri Museveni of Uganda opens today's Confederation of British Industry (CBI) conference on investment in his country it will mark a significant step forward in the rehabilitation of an economy that all but collapsed in the mid-1980s.

The country has since become the darling of the World Bank, thanks to its strict adherence to economic reform. In 1993, gross domestic product growth could be as high as 5 per cent, while tight monetary policy has brought inflation down from around 60 per cent last year to just 3 per cent.

"We think growth prospects are very good. The government is committed to the reform programme and it is making progress. In fact I think they are way out in front," said a World Bank official.

Although the figures make good reading, the government complains that the austerity programme has left little to spare for raising living standards. As a result, Mr Museveni is having to raise Uganda's business profile, after a decade which has seen investment flows to sub-Saharan Africa slow down to a trickle.

"We have to tell the world that we are new people in power," he said in an interview. "The atmosphere has changed over the last seven years we have been in power. Ugandans have stopped concentrating on killing each other and are instead ready to work."

Both the civil service and the once large army have been cut substantially, while dependence on the export of raw coffee, which last year earned the country \$102m (\$26.2m), has fallen to less than 75 per cent of total exports.

The country has lifted curbs on the repatriation of profits and instituted a one-stop investment authority to provide information and licences. The privatisation programme has also been stepped up, with many government-owned industries now for sale.

"I have seen great changes," says Mr Gerry Parfitt, partner at conference co-sponsors Coopers and Lybrand. "We think there is a lot of potential."

For all the praise, however, a catalogue of problems remains. A 1992 United Nations Industrial Development Organisation (Unido) study highlighted



Museveni: a duty to be done

the cost disadvantages of Uganda's land-locked position, suggesting emphasis should be put on small-scale and resource-based industrial development.

The government has also failed to root out corruption, and the incidence of AIDS remains a costly challenge.

Sporadic fighting in the north of the country and large numbers of refugees from the country's troubled neighbours of Rwanda and Sudan continue to place strains on an over-stretched administration.

The president also remains at odds with the donor community over multiparty democracy. "It brought us nothing but chaos," says Mr Museveni. "We are due to elect a constituent assembly at the end of the year, which will decide our form of government, and we shall have parliamentary and presidential elections. But I remain opposed to a multiparty system. We can still have democracy, but without parties."

He claims he has not decided whether to run for the presidency. "It is no fun trying to balance a budget without resources. It is not a privilege, just a duty which had to be done."

That said, some investors are declaring their confidence in the new Uganda that Mr Museveni has created. Mr Christopher Green, a director of Barclays Metals, which is developing cobalt-bearing tailings in western Uganda, says: "We have sufficient trust in the changes for us to feel comfortable with investing."

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## World Bank plans \$1bn loans to Pretoria

By Leslie Crawford

THE World Bank has \$1bn (\$500m) worth of development projects in the pipeline for South Africa. They will be implemented once a non-racial transitional government is in place. Mr Edward Jaycox, the World Bank's vice-president for Africa, said yesterday.

Mr Jaycox, who was on a brief stopover in London en route to the World Economic

Forum in Cape Town, said the projects aimed to improve health, housing and education for South Africa's poor blacks.

The World Bank stopped lending to South Africa when international sanctions were imposed against Pretoria's apartheid regime. But after two years of talks with both the government and the African National Congress, Mr Jaycox said prospects for renewing relations with

South Africa were "excellent". Mr Jaycox stressed that World Bank loans to South Africa would not be on concessional terms, because of the country's relative wealth. The Bank's pledge follows similar promises of economic support for a democratic South Africa by Mr Warren Christopher, the US secretary of state.

The World Bank official was also keen to dispel the widespread image of the continent as a region of "victims and losers". For the first time in a generation, many countries were enjoying growth rates higher than the expansion of their populations.

He was confident that tough structural adjustment programmes were beginning to bear fruit, despite an adverse international economic climate and the lukewarm commitment of many African governments to reform.

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مكازم الاصل



Die Welt der Zeitungswelt:

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# White House defends energy tax as rift grows

By Jurek Martin  
in Washington

THE Clinton administration opened the first of several critical weeks for its deficit reduction package by insisting, in the face of significant opposition in Congress, that it stood by the principle of a broad-based energy tax.

Following President Bill Clinton's weekend broadside against the "big oil lobby", Mr Leon Panetta, the budget director, said in a television interview yesterday morning that the president felt the energy tax was still central to the overall plan.

Senator Daniel Moynihan of New York, chairman of the finance committee, predicted that some form of energy tax would be passed on to the full Senate from his committee, although he conceded amendments to it could be made.

Senators David Boren of Oklahoma and John Breaux of Louisiana, both representing oil states, have qualified their opposition to the tax, based on the energy content of fuels measured in British thermal units (BTUs). However, Mr Boren, the principal sponsor of an alternative plan to put ceilings on social spending and increase taxes on the elderly, said he would still vote against the energy tax as it was now constituted in the committee.

Mr Breaux said he could support a straight petrol tax, but at a rate (eight

cents to the gallon) that would generate less than half the projected \$22bn (£14.2bn) a year revenue of the BTU tax once fully in place.

The Senate machinations have cast a cloud over the more imminent deliberations in the House, which is due to vote on the overall package, including the energy tax, on Thursday.

The general assumption has been that the bill will pass the House, where the Democrats have a comfort-

**'Sometimes, when you see a friend go astray, the best thing is to tell the friend the truth'**

able majority, in spite of last week's rebellion by mostly conservative southern Democrats demanding deeper spending cuts and less reliance on tax revenues. As Mr Moynihan has indicated, the precise mix of the package may yet be altered.

But even Mr Clinton's supporters in the House are concerned that their politically difficult vote on Thursday may be rendered null and void by subsequent amendments in the Senate.

Recalling that the House passed the

economic stimulus package only to see it killed in the Senate, Congressman Craig Washington, a Texas Democrat, questioned whether members "are willing to fall on their swords again".

Among Democrats, fault lines other than that on the energy tax are becoming increasingly apparent over Mr Clinton's general approach to cutting the budget deficit.

Mr Clinton came to office as a self-proclaimed "new kind of Democrat", a believer in individual responsibility rather than the pre-eminence of government's role. But, in the opinion of old allies like Congressman Dave McCurdy of Oklahoma, he has become increasingly captured by the party's "tax and spend" and traditionally liberal forces.

It is the emphasis on new taxation - a contradiction of Mr Clinton's campaign promise to lower taxes on the middle classes - that most disturbs these centrist Democrats. Senator Boren, for example, has justified his opposition to the energy tax as a way of reminding Mr Clinton to go back to his roots.

"Sometimes," he said in a weekend talk show, "when you see a friend go astray, the best thing to do is to tell the friend the truth."

Mr McCurdy described his opposition to the president as "the most painful thing I've ever had to do in Congress."



David Boren: has qualified his opposition to energy tax

# High interest rates attacked in Venezuela

By Joseph Mann in Caracas

MR Octavio Lepage, Venezuela's caretaker president, indicated yesterday that reducing the country's high domestic interest rates was one of his first priorities.

He said he would meet the board of the central bank in an effort to encourage it to "design measures to correct this problem immediately". However, given the independence of the bank, it was unclear how Mr Lepage would achieve a rate cut.

With annual inflation at more than 30 per cent in the past 12 months, Venezuela has real interest rates of 30 per cent or more for commercial loans.

Having met business leaders at the weekend, the acting president also said he would review national economic policy and decide whether changes were needed.

Mr Lepage, a senator in the ruling Democratic Action party, was sworn in as acting president on Friday after President Carlos Andrés Pérez was suspended to face a charge of misuse of public funds. The

trial will be before the supreme court, which is expected to take this week the first steps towards a hearing.

Mr Lepage admitted he was not "an economic expert" but said he believed Mr Pérez's unpopular free-market reforms of the past four years were "correct in strategic terms". However, he rejected what he called "dogmatism and the use of foreign models" in implementing "IMF-style" economic adjustments.

The acting president, although the focus of a controversy over how long he should stay in office, said the situation in Venezuela was "critical, but perfectly manageable". He admitted that the government was "weak" and needed a stronger base through some "national understanding" among the political parties.

Congress, caught in the storm over Mr Pérez, has not acted on bills aimed at economic and political reform. These include new taxes to help close the fiscal gap, reductions in the national oil companies' tax burden, as well as proposed reforms of the financial system.

# UK asked to press for Haiti democracy

By Canute James in Kingston

BRITAIN will be asked this week to take a more active role in efforts to resolve the political situation in Haiti, and to encourage its European Community partners to support moves to restore democratic government to the Caribbean state.

The request will be put to Mr John Major, UK prime minister, by Mr Patrick Manning, his Trinidad and Tobago counterpart and chairman of the Caribbean Community. He will arrive in London today on an official visit.

"We have managed to get the matter to the United Nations, but we do not have a resolution of the Haitian situation," Mr Manning said. "We need the attention of the EC and to bring more pressure to bear", so as to resolve the dispute between exiled President Jean-Bertrand Aristide and the military which ousted him.

Mr Manning will also discuss with Mr Major the continuing concerns of Caribbean Community leaders over access of the region's bananas to the EC. He will repeat these concerns when he visits Germany this week. The Germans are unhappy with proposals from the EC farm ministers which would put under quota bananas imported from Latin America, while guaranteeing access for fruit from traditional suppliers in the African, Caribbean and Pacific Group.

The Trinidadian leader will also meet representatives of the British financial services sector and the oil industry, seeking investments in the Caribbean republic. His administration is trying to make the country the business and financial capital of the Caribbean.

Last month, the Trinidadian government deregulated the local foreign exchange market.

# Frei on course for nomination in Chile

MR Eduardo Frei, leader of Chile's Christian Democrats, looks set to secure the presidential nomination of the country's ruling coalition after primary elections on Sunday, Reuter reports from Santiago.

He had about 60 per cent of the votes of more than 600,000 party members and supporters, with the count more than half complete, electoral officials said. His Socialist rival, Mr Ricardo Lagos, had about 40 per cent, the officials said.

Under the coalition's complex selection procedure, the votes on Sunday were assigned to delegates to cast at a final convention next Sunday. However, the winner last Sunday is sure of victory at the convention, where the coalition will unveil its campaign manifesto.

The winner of the primary, the first in Chile, which returned to democracy in 1990 after 17 years of military rule, will be the strong favourite to be the next president.

Opinion polls before the primary gave Mr Frei, from the same party as President Patricio Aylwin, some 48 per cent of national support, compared to 35 per cent for his nearest right-wing rival. The polls also showed support from the ruling coalition's left-wing parties could mean Mr Frei taking more than two-thirds of the presidential vote.

From Stockholm: President Aylwin, on a visit to Sweden, denied yesterday that he had ever endorsed the overthrow of President Salvador Allende in 1973, as maintained by some Chileans who fled to Sweden after the military coup.

Mr Aylwin, one of the main forces in the coalition which succeeded General Augusto Pinochet via a plebiscite in 1988 and elections later, said Chile owed Sweden a deep debt of gratitude for its solidarity during the dictatorship of Gen Pinochet.

# Latin American growth 'slower'

By Stephen Fidler,  
Latin America Editor

ECONOMIC growth in Latin America outside Brazil will slow this year while the region's current account deficit will continue to widen, according to a new survey of economic and financial forecasts for the region.

The survey, published for the first time this month by the London-based Consensus Economics, reckons inflation (outside Brazil) will stay on its downward track.

Latin America, again excluding Brazil, will grow by an average 3.4 per cent this year and 3.6 per cent next year, compared with 4.5 per cent last year.

Including Brazil, which is forecast to grow 2.7 per cent this year following a 1 per cent shrinkage of the economy last year, growth in Latin America will accelerate to 3.1 per cent this year and next, from 2.2 per cent in 1992.

The region's current account deficit, excluding Brazil, will widen to \$41.6bn (£27bn) this

year and \$42bn next, from \$37.7bn in 1992.

The survey says Mexico's current account deficit will widen to \$24.7bn this year and \$26.5bn next, from \$22.8bn. Argentina's current account deficit is forecast to come down from \$7.8bn to \$7.7bn this year and \$7.2bn next. Brazil's surplus would shrink from \$4.8bn last year to \$3.1bn this year and \$2.1bn next.

Inflation in Brazil - forecast to rise to 1,631 per cent this year from 1,129 per cent last - is expected to push average inflation for the region higher this year. Excluding Brazil, the trend is downward to an average 18.6 per cent this year and 16.3 per cent next year, from 28.1 per cent in 1992.

The survey, conducted among 60 international and domestic forecasters, will be repeated and published every two months.

Latin American Consensus Forecasts; Consensus Economics Inc. 49 Berkeley Square, London W1X 5DB; £325/\$495 annual subscription (six issues).

“LAST YEAR,  
13 MILLION  
PEOPLE  
LOOKED TO  
US TO  
HELP SECURE  
THEIR  
FUTURE.”



Private sector services and merchandise trade balance to be combined

# US plans to broaden trade index

By Nancy Dunne in Washington

MR Ron Brown, US commerce secretary, is to clarify the US trade picture by ordering a new quarterly index which will combine private sector services and the merchandise trade balance.

He said in a letter to Mr Harry Freeman, executive director of the MFN Coalition, a US business group, that this would allow the US to move beyond the conventional definition of the trade balance. The department's statisticians were also "assessing the feasibility of producing monthly estimates of trade in goods and services," he added.

The new index, which will be introduced in June, will demonstrate the point that services lobbyists have long been stressing: that the US trade deficit is not as bad as it looks. From the quarterly current account figures a new entry - called private services - will collate exports and imports from the US services sector, bringing in air passenger travel, inbound tourism, professional services, financial services, audio/video rentals, construction and engineering services, education of foreign students, and insurance and medical services.

In 1992 the trade in private services between the US and the rest of the world gave the US a \$69bn (\$88.3bn) surplus. If this is subtracted from the \$66bn merchandise deficit, the trade deficit was \$37bn.

Trade in services is an important issue in the US relationship with Japan. In a defence of its trade regime, released last week by the Japanese Ministry of International Trade and Industry, Tokyo claimed its surplus had failed to take into account services, such as transport and travel. The US surplus in the services sector would grow, it added, as

Japan was not competitive there. Indeed, the US has been making slow gains in the balance of its trade in services with Japan - the surplus rose from \$3.5bn in 1989 to \$13.2bn in 1992.

This is likely to continue. The US had a \$10bn surplus last year with Japan in travel and passenger fares, one of the biggest growth areas for receipts. As long as Japan remains prosperous and expensive it is unlikely to draw more American tourists than the US does Japanese.

The US ran a \$2.7bn surplus with Japan on "other services" - which include telecommunications. Most telephone calls and data transmissions are initiated from the US, where the industry is deregulated and its services comparatively cheap.

The fifth largest US services export is education, a sector which includes thousands of students studying at US colleges and which holds growth promise.

## Cairns Group to press G7 over Gatt

THE Cairns Group of agricultural exporting countries is to hold a meeting next month aimed at pressing for agreement at the Group of Seven's Tokyo summit in July on a framework for completing the Uruguay Round this year, writes Alexander Nicoll, Asia Editor.

Mr Peter Cook, Australian trade minister, said in London yesterday that the meeting in Bangkok on June 26-27 would ensure the interests of the group's 14 members were reflected in Tokyo. He saw encouraging signs that Gatt talks were producing a "decent" market access package and that differences between the US and the European Community were being bridged.

G7 countries, he said, "must understand that other countries expect the outcome to be genuinely trade-liberalising, and that it will reflect the legitimate interests of all countries, not just the majors". The importance of agriculture must not be lost in the struggle to resolve differences between the US and EC, he added.

## Review makes China a most fazed nation

BEIJING will be monitoring signals from Washington this week with more than usually obsessive interest. A decision on its Most Favoured Nation (MFN) trading status is due by June 3. Also in the melting pot is the likely course of the broader Sino-US relationship during the Clinton administration.

Chinese officials make no secret of their concerns that a narrow focus on issues surrounding removal of China's MFN status - the principle of according equal conditions to all trade partners - at the expense of wider interests will deflect US policy makers from recognising what is at stake.

"We want to see more mutual confidence, less trouble, closer co-operation and no confrontation between us," Mr Jiang Zemin, China's party boss, said at the weekend.

Chinese officials have also been talking worriedly about what they perceive as a lack of direction in President Bill Clinton's foreign policy on such issues as Bosnia and international trade. They fear that China policy may also be prey to such a muddling approach, and differences on issues such as human rights and weapons transfers will prove more difficult to contain.

In the meantime, China has made some limited gestures to appease its human rights critics in the US, such as releasing several relatively high-profile dissidents from jail early, which Americans cynically refer to as the annual MFN releases, and hinting at a willingness to do more without being specific. The process has taken on the aspect of a fairly unedifying abeyance game.

China has also sought to address concerns about weapons transfers, assuring Mr Simon Peres, the visiting Israeli foreign minister, that it was not selling missiles to either Iran or Syria. No mention was made of Pakistan, a recent recipient of Chinese missile technology and a country thought to have close defence links with Tehran.

Beijing would be well aware that the US administration has not completed its review of China policy to guide Mr Clinton in his decision next week. He is universally expected to renew MFN for 1993-94, but what is at issue is whether he will at the same time announce conditions on renewal for the next year. If he does so, trade-related investment is likely to be affected immediately.

If the Chinese were seeking clues to US thinking they might consider testimony given to the Senate foreign relations committee on March 31 by Mr Winston Lord, assistant secretary of state for East Asian affairs. "Our policy challenge," Mr Lord told senators, "is to reconcile our need to deal with this important nation with our imperative to promote international values. We will seek co-operation with China on a range of issues. But Americans cannot forget Tiananmen Square."

It is stark observations such as this that make the US-China business community nervous, raising as they do the spectre of tougher and more specific conditions on renewal of MFN.

## Beijing waits anxiously on Clinton trade move, writes Tony Walker

Among the many provisions of a draft bill before the US Congress are: China should allow unrestricted emigration of political and religious prisoners; provide an acceptable accounting for and release of Chinese citizens detained, accused or sentenced as a result of non-violent expression of their political beliefs; and cease religious persecution in China and Tibet.

In Beijing, attitudes within the US business and official community seem to range from optimism to a lingering dread that a distracted Washington may miscalculate. Mr John Hart, president of the American chamber of commerce, believes that continuing uncertainty over MFN is affecting trade relations and if it persists US business is in danger of being disadvantaged.

"We think it's a fairly high risk game they're playing," Mr Hart observed. "The biggest problem, as I see it, is the climate of uncertainty. The situation is much more difficult this year than last when we knew what the scenario was going to be."

Mr John Frisbie, director of the US-China Business Council, a lobby group representing US business interests in China, takes a more sanguine view. "I don't expect Clinton to be extremely specific (on MFN conditions). Why would a president want to reduce his flexibility over a decision he is not obliged to make for a year?"

The US-China Business Council has been at the forefront of lobbying efforts with the administration, arguing that trade with China has helped create 150,000 additional jobs in the US; and that the Chinese market, with its insatiable demand for passenger aircraft, is vital to the health of the American aerospace industry - an industry targeted for growth by Mr Clinton.

"This is not just American companies salivating over the China market," Mr Frisbie said. "The business presence here in all its forms has been the single most pervasive force for change in the past decade. To take that away would be counter-productive to the goals of those in Congress seeking to change China."

According to US figures, Chinese imports are \$25.7bn (\$16.6bn) and the US market accounts for 25 per cent of China's global exports. Removal of MFN preferences may cause a drop of as much as 10 per cent in China's export earnings.

Previous articles on China's MFN status appeared on May 20 and May 22/23

## Hotels in Americas see better prospects

By Michael Skapinker, Leisure Industries Correspondent

HOTELIERS in the Americas are gaining confidence, but Europeans and Asians say prospects are gloomy, according to a survey by leisure consultants Horwath International.

It found that 54 per cent of North American hoteliers were more optimistic than they were six months ago, with only 8 per cent saying they were less optimistic. In Latin America, 70 per

cent were more optimistic and none was less.

In Europe, only 20 per cent said they were more optimistic than six months ago, with 38 per cent saying they were more pessimistic. This was an improvement, however, over six months ago, when 10 per cent were optimistic and 45 per cent pessimistic.

In the Asia-Pacific region, the optimistic proportion shrank to 33 per cent from 36 per cent six months ago. However, the pessimistic proportion also

fell - from 33 per cent to 15 per cent.

With the exception of North America, hoteliers worldwide said they had reduced their workforces and would continue to do so. In Europe, 68 per cent of hotels said they had reduced employee numbers over the past six months and 39 per cent said they would do so over the next six. Only 2 per cent said they had increased staffing levels over the past six months and only 13 per cent said they would do so over the next six months.

More than 40 per cent of Asian hotels had reduced workforces and nearly half intended to do so in the next six months. Even in Latin America, half the hoteliers said they had fewer workers than they had six months ago and 20 per cent said this trend would continue in the next six months.

Only in North America were staff numbers expected to rise, and then only slightly. Staff increases were planned by 24 per cent, with 23 per cent planning reductions in the next six months.

The Halifax is used to challenging circumstances and during 1992 our priorities were to maintain financial strength and security to help our customers through the worst of the recession.

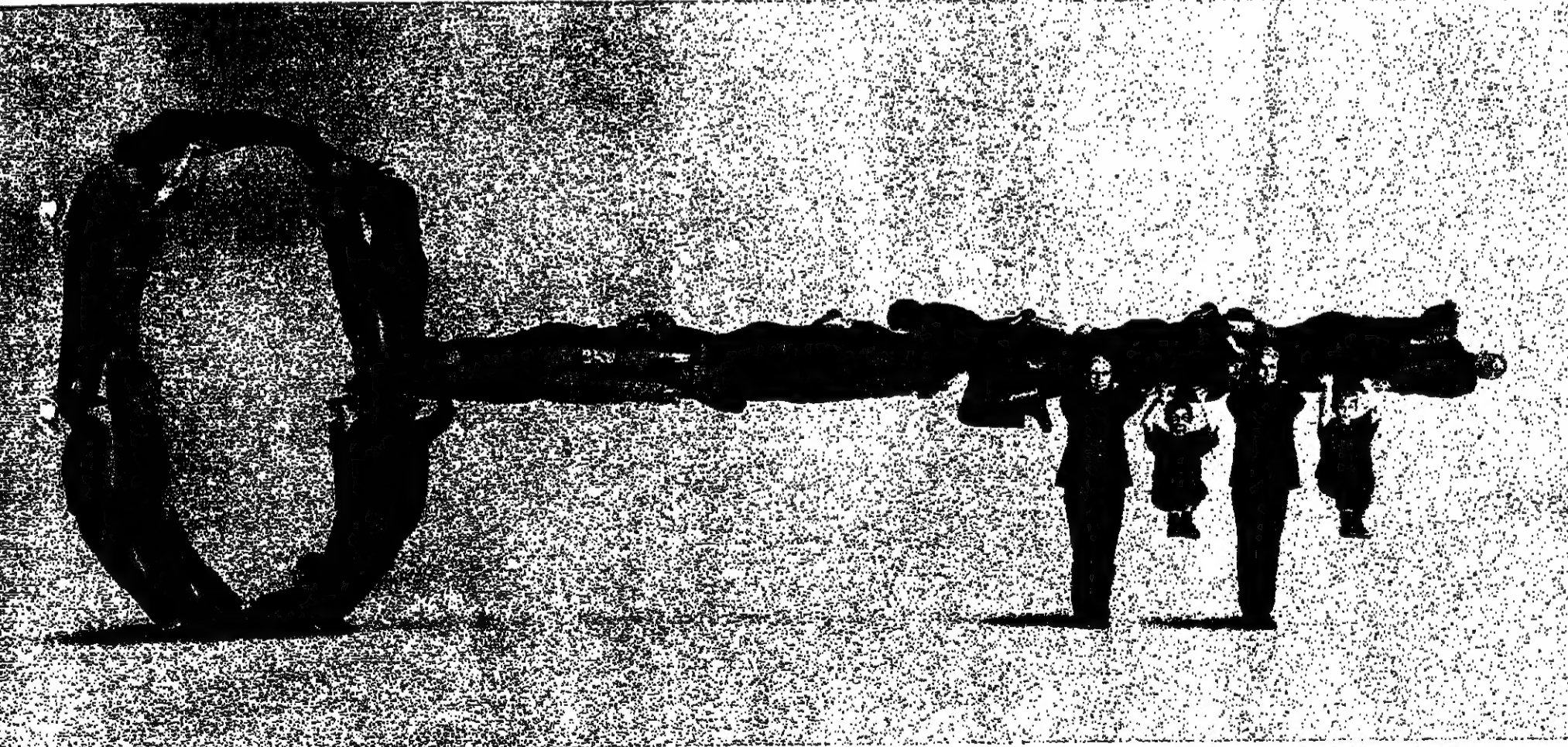
At the Society's Annual General Meeting on 24th May, Chairman Jon Foulds was able to report that these goals were achieved in some style. After provisions, pre-tax profits rose 8% to £680 million and running costs were reduced for the fifth year in succession, down from 43.6% to 40%.

In a depressed market, we were still able to lend £8.3 billion to 178,000 borrowers (including 77,000 first time buyers) and maintain our position as Britain's biggest mortgage lender.

interest income to supplement their pensions, we concentrated on trying to pay loyal investors the best rates we could. And, in fact, not all base rate reductions were matched with savers rate cuts.

Our concern for the special needs of first time buyers ensured that the cost of borrowing in this sector fell dramatically in 1992.

Meanwhile, the commitment we made to meet customer needs led to the introduction of new investment opportunities, particularly with Guaranteed Reserve and Premium Xtra, and a positive response to the demand for fixed rate mortgages. Further success came with our unit trust venture in conjunction with Standard Life, where funds under management now exceed £160 million.



Assets grew by 7% to £62.8 billion and retail investment balances increased by £2.9 billion to £50.4 billion.

With 600,000 customer transactions at Halifax branches and agencies every day, the Society's policies remain shaped by our focus on customer care.

For borrowers facing difficulty, we were able to commit major resources into counselling programmes, helping them to manage their debt and income problems. And, compared with the previous year, the number of properties taken into possession in 1992 was halved.

Where falling interest rates had a harsh impact on those using

The strength of the Halifax continues to grow, reinforced by the decision by a leading rating agency to confirm its international long-term credit rating at Aa1, making it the highest-rated bank or building society in the country. As well as being Britain's biggest mortgage lender, we continue to hold more people's savings than anybody else, including the National Savings movement.

In fact, 13 million customers make the Halifax their first choice for savings and home buying.

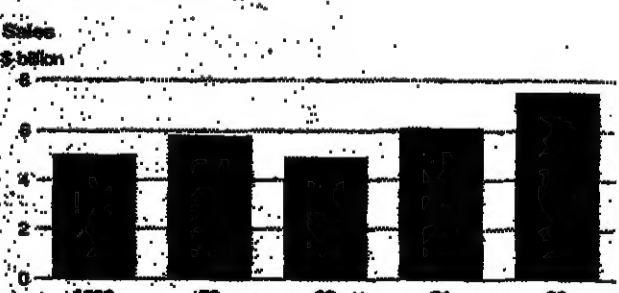
If you'd like a little extra help in the future, you don't need to look any further than your local branch of the Halifax.



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The US stake in China



Investment in China



- General Motors: \$100m pickup truck joint venture
  - Gillette: \$80m razor and blade joint venture
  - Motorola: \$120m wholly owned electronic and communications equipment enterprise
  - PPG Industries: \$120m glass joint venture
  - Frank: \$40m industrial gas joint venture
- Sources: US-China Business Council, Chinese Ministry of Foreign Economic Relations and Trade



## NEWS: UK

## Non-EC visible trade gap continues to narrow

By James Birt,  
Economics Staff

BRITAIN'S visible trade deficit with countries outside the European Community narrowed again last month, and fresh signs that the devaluation of sterling has given a sharp boost to UK exports.

In April, the value of imports from countries outside the EC exceeded the value of exports by £881m. The overall deficit, however, was £100m less than

in March, underlining a trend which has seen the trade gap narrowing.

The better news on the trade balance was underlined by a sharp growth in export volumes in the last three months.

The Central Statistical Office (CSO) reported yesterday that total UK export volumes - excluding oil and erratic items - had grown by 6% per cent compared to the previous 3 months. By contrast, imports rose by only 2 per cent over

the same period.

Yesterday's figures were seen as a further indication that the devaluation of sterling is helping to promote economic recovery by boosting Britain's share of export markets.

The CSO's figures indicated that the prices of exported goods have returned to the levels that they had been at when the year began. This implies that exporters have not used the devaluation of the currency to the very low levels

seen in the spring as an opportunity to mark up prices.

The CSO's figures also indicate that UK exporters are winning a greater share of markets outside Europe, whose economies are continuing to fall into recession.

For the first time since May 1992, the UK registered a trade surplus with North America in April. UK traders registered a seasonally adjusted surplus of £35m compared with a deficit of £43m in March.

The UK is also increasing the volume of its exports to developing economies, in a trend which has continued unbroken since November of last year.

And the trade balance with the non-EC part of Europe also improved from a deficit of £65m in March to one of £80m in April. This was the result of a steep decline in imports, however, which accompanied a fall in exports from £78m to £75m.

Mr Kevin Gardiner, an economist at S.G. Warburg, said the figures underlined that the UK's Gross Domestic Product would show an increase in the second quarter of this year.

"The UK is winning market share even though economies in the rest of Europe are slowing down," he said.

Since the beginning of the year, the CSO has not provided data for UK trade with European Community countries because a new system is being introduced.

## Britain in brief



## N Ireland airport to be sold

The government confirmed it would sell Northern Ireland's largest airport, Belfast's Alder Grove.

A six week consultation period will be followed by legislation in autumn. The government's advisers hope the sale will take place in the summer of 1994 and will fetch between £25m and £40m.

The sale will probably go to a single buyer or a consortium rather than by flotation on the Stock Exchange, which would cost too much in relation to the likely proceeds.

Alder Grove, also called Belfast International, is owned by Northern Ireland Airports, and last year handled about 2.17m passengers, making it the seventh largest in the UK.

It made a pre-tax profit of £2.1m on turnover of £21m and last month announced the start of scheduled services to New York.

Possible bidders include Canadian transport group Bombardier, which owns both Short Brothers, the aircraft manufacturer, and the Belfast City Airport.

Mr Jonathan Aitken, defence procurement minister, announced completion of plans to dispose of Farnborough airfield, west of London. The biennial air show would continue but tour operators, recreation and training flights would not be allowed.

## UK cinemas in comeback

The cinema is making a strong comeback in the UK with attendances higher last year than in any year since 1980, according to a survey of the latest cultural trends in the media.

More than 60 per cent of the population aged 7 and older go to the cinema, and more than 30 per cent of the 15-24 age group do so once a month or more. The estimated total audience last year was 101m, according to the independent policy Studies Institute.

## Record sales of Unit Trusts

Net sales of unit trusts in April reached their highest level since the stock market crash of 1987, according to figures released by the Association of Unit Trusts and Investment Funds.

Gross sales in April were £1,592.9m, while repurchases from investors were £637.8m. The net sales figure was thus

## Government to unveil plans for Europe scheme

By Deborah Hargreaves in  
London and Karen Fossell in  
Oslo

MR TIM EGGAR, energy minister, is expected to announce in the House of Commons today the publication of a prospectus for the £300m gas pipeline project between the UK and the continent.

A group of companies including British Gas, British Petroleum and Norway's Statoil have been involved in an initial feasibility study which could involve the export of UK gas to continental Europe.

Mr Eggar should set out details of the so-called Europe gas pipeline in an effort to gauge the amount of interest among energy companies for the private-sector project.

A steering committee of seven companies involved in the initial technical studies are considering a plan to build a pipeline between Bacton, on the west coast of England, and Zeebrugge in Belgium, with export capacity of 15bn cubic metres a year, or a third of current UK output.

Some companies, however, are not sure of the viability of

such a scheme. Statoil said yesterday it had not yet decided whether to participate in the interconnector project.

Mr Eggar is understood to have told the companies involved that the UK government is ready to negotiate a treaty with the Belgian authorities about the proposed Europe gas pipeline linking up with the Belgian national grid.

The government is keen for the project to go ahead and is linking the success of the venture with a decision to allow additional supplies of Norwegian gas to the UK. But there has been some scepticism about the viability of the project because it is unlikely the gas could compete with low-cost supplies from Russia.

Other companies involved in the plan include Norsk Hydro, the Norwegian resources group, Elf Aquitaine France's energy group, Conoco UK and Distrigaz of Belgium.

The UK government is linking the Europe project to ratification of a deal between electricity generator, National Power, and Statoil to import Nkr20bn gas supplies over the next 15 years.

## Generators may face monopoly inquiry

By Michael Smith

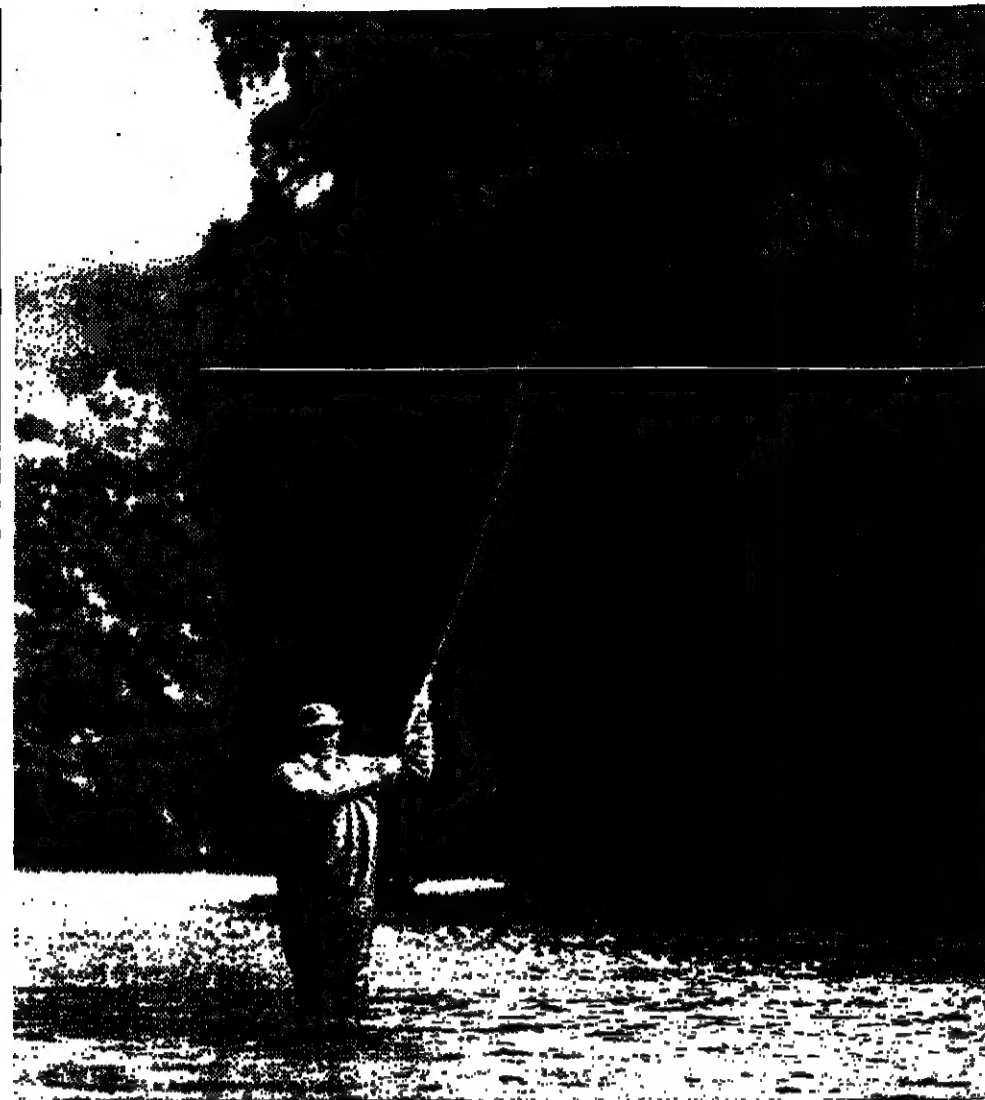
THE TWO main electricity generators in England and Wales were warned by the industry regulator yesterday that they could face a monopoly referral if they failed to explain adequately why their prices have risen since March.

Professor Stephen Littlechild, director general of the Office of Electricity Regulation (Ofreg), who is also investigating the generators' costs and margins, has said he will decide on a referral to the Monopolies and Mergers Commission by 1995.

Speaking as Ofreg published its annual report, Prof Littlechild said improvements in the industry since privatisation included a sharp reduction in domestic disconnections - down 62 per cent in Great Britain between 1991 and 1992 - and the growth of electricity supply competition.

The main area of difficulty was the market power of National Power and PowerGen, the two main generators, he said, even though competition was increasing through the expansion of independent power plants.

The generators had so far failed to respond to an offer request for an explanation why prices in the electricity wholesale pool had risen in April and May, he added. "The pool is the mechanism by which electricity is traded in the UK."



BRITAIN'S anglers fear they may be faced with a fourfold increase in the price of the annual salmon and sea trout rod licence as the National Rivers Authority tries to find new sources of revenue, writes David Hallier.

The NRA is looking at ways of raising income to meet the £24m cost of fresh-water fisheries in England and Wales. The current annual salmon and sea trout rod licence is £13.25.

The NRA has said that all reports are "speculative" but privately NRA officials point out that salmon licences in the 10 regions which formerly sold their own licences used to be far higher than the current national charge.

In Scotland, pictured, charges are set by local fishing authorities and vary widely. The seven River Purification Boards do not, like the NRA, oversee fishing.

## Academics criticise technology teaching

By John Authors

THE QUALITY of technology teaching in England and Wales compares poorly to courses available in Germany, the Netherlands and Switzerland, according to the National Institute for Economic and Social Research (NIER).

The national curriculum - the standard course used in most schools - presented "great difficulties in teaching"

technology and left less academic children "disadvantaged and de-motivated", the research group claimed.

In a research article for the NIER, academics Ms Helvia Bierhoff and Mr Sigmund Prais criticise technology teaching in the last two years of compulsory schooling for being too intellectual, and requiring pupils to work in a broad range of materials.

The authors prefer the continental approach of concentrating on practical subjects. They say this approach is more successful in preparing average and below-average ability children for later specialised vocational training.

They found that continental schools allowed a third (or more) of their pupils between the ages of 14 and 16 to do systematic courses in specialised disciplines, such as woodwork, metalwork and textiles.

Continental employers believed pupils taught this way were more motivated.

New proposals for the national curriculum published at the end of 1992 would encourage higher quality work by allowing greater specialisation and more practical work, according to the report, but it suggests that schools are not equipped with the specialised workshops and teachers needed.

## LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

In re  
OLYMPIA & YORK WATER STREET  
FINANCE CORP., and  
OLY WATER STREET CREDIT CORP.,  
Debtors.

NOTICE OF HEARING TO CONSIDER  
IN APPROVAL OF DEBTORS' DISCLOSURE STATEMENT  
AND PROPOSED REORGANIZATION PLAN  
AND SETTING THE DATE FOR VOTING ON THE PROPOSED PLAN OF  
REORGANIZATION FOR THE DEBTORS AND  
FIXING THE DATE, TIME AND PLACE TO CONSIDER  
CONFIRMATION OF SUCH PLAN

Chapter 11 Case No.  
93-2409 (LGL)  
(Jointly Administered)

THE HEARING  
To be held at the Courtroom of the United States Bankruptcy Court for the Southern District of New York, at 111 Broadway, New York, New York 10038, on the 25th day of May, 1993, at 10:00 a.m., for the purpose of considering the Debtors' Disclosure Statement and the proposed Plan of Reorganization, and for the purpose of setting the date, time and place for the voting on the proposed Plan of Reorganization, and for the purpose of fixing the date, time and place for the confirmation of the proposed Plan of Reorganization.

ALL creditors of the Debtors are hereby notified that they must appear at the hearing on or before the date, time and place set forth above, and that they must file with the Court, on or before the date, time and place set forth above, a copy of their proof of claim, and a copy of their objection to the Debtors' Disclosure Statement, if any, and a copy of their objection to the proposed Plan of Reorganization, if any.

WILL COTTELL & MANGES  
Attorneys for the Debtors in Reorganization  
707 Third Avenue  
New York, New York 10015  
Attorneys for the Secured Creditors  
800 Third Avenue  
New York, New York 10017  
Attorneys for the Unsecured Creditors  
800 Third Avenue  
New York, New York 10017

UNLESS AN OBJECTION IS TIMELY SERVED AND FILED IN ACCORDANCE WITH THIS NOTICE, SUCH OBJECTION WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.  
Dated New York, New York  
May 17, 1993

WILL COTTELL & MANGES  
Attorneys for the Debtors in Reorganization  
707 Third Avenue  
New York, New York 10015  
NY 10015-0000

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

In re  
OLYMPIA & YORK WATER STREET  
FINANCE CORP., and  
OLY WATER STREET CREDIT CORP.,  
Debtors.

Chapter 11 Case No.  
93-2409 (LGL)  
(Jointly Administered)

NOTICE OF ENTRY OF BAR DATE ORDER FIXING  
LAST DAY TO FILE PROOFS OF CLAIM AGAINST DEBTORS

THE UNITED STATES BANKRUPTCY COURT for the Southern District of New York, in Case No. 93-2409 (LGL), Chapter 11, jointly administered, has entered an order fixing the last day to file proofs of claim against the Debtors, OLYMPIA & YORK WATER STREET FINANCE CORP. and OLY WATER STREET CREDIT CORP., as May 25, 1993, at 10:00 a.m.

ALL creditors of the Debtors are hereby notified that they must file with the Court, on or before the date, time and place set forth above, a copy of their proof of claim, and a copy of their objection to the Debtors' Disclosure Statement, if any, and a copy of their objection to the proposed Plan of Reorganization, if any.

PLEASE TAKE FURTHER NOTICE THAT if you are entitled to file a proof of claim and fail to do so in the manner prescribed above, you will be forever barred from voting upon, or receiving a distribution under, any plan of reorganization for the Debtors, and you will be forever barred from asserting any claim against any of the Debtors or their assets or against any of the Debtors' or their assets' liabilities.

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## Major tries to calm storm on spending cuts

By Philip Stephens, Political Editor

MR JOHN Major, the UK prime minister, last night sought to calm the political storm over the Treasury's scrutiny of state benefits with an assurance that its conclusions would respect "the spirit as well as the letter" of his election manifesto.

In a wide-ranging interview with the Financial Times during which he rejected attacks on his leadership style and left open the possibility of a cabinet reshuffle, the prime minister defended the spending review as essential to allow the government to "save where we can, to spend where we must".

Speaking last night in 10 Downing Street, Mr Major also hinted that the looming summer cabinet battle over next year's public spending round could prompt the government to renew its formal pay rise ceiling for public sector workers. Extension of the 1.5 per cent ceiling is opposed by the Treasury.

But he insisted that the government's decision to examine the principal of universal welfare benefits was not designed to restrict payments to those on state income support.

Acknowledging the concern of people - particularly the elderly - whose income keeps them above the social security net, "We do have a particular concern for people on modest incomes who have worked

through their lives to provide for themselves rather than depend upon the state".

He added: "What we are not in the business of doing is sweeping away necessary spending. But we can't let the [public spending] total grow faster than the economy can support".

Clearly stung by the political uproar in recent days over the spending review he added: "We are emphatically not targeting special reductions on the poorest and most vulnerable members of society. We have a responsibility to the poorest and most vulnerable members and we will meet that."

Mr Major, facing criticism for his stewardship of the public finances, denied that the huge rise in the public sector borrowing requirement to £11bn a week was a result of his government's failure. He said: "It is a combination of two things I think. One is the collapse in income [from tax revenues], and secondly predominantly the acceleration in expenditure that invariably occurs during a recession if you are to protect the people who are hurt by a recession... So I emphatically reject the idea that some wild spending spree created the deficit."

A fuller account of the John Major interview will appear in tomorrow's FT. In it, the prime minister sets out his agenda for change in the European Community.

## Evidence on arms affair 'suppressed'

By Jimmy Burns and David Owen

SIR Patrick Mayhew, the former attorney-general, tried to prevent evidence about the Iraqi supergun affair coming to court, a former vice-chairman of the Conservative Party said yesterday.

Sir Hal Miller, a former MP, told the Scott inquiry into the arms-for-Iraq affair that Sir Patrick had tried to dissuade him from giving evidence in support of a businessman accused of illegally exporting parts for the gun.

He said he had approached Sir Patrick soon after Mr Peter Mitchell, the managing director of West Midlands company Walter Somers, had been charged with export offences linked to the gun.

Sir Hal had been prepared to produce records of conversations with an intelligence officer and officials of government departments.

He said he had met Sir Patrick, who is now Northern Ireland secretary, in the House of Commons lobby. "I was seriously concerned about these people [Walter Somers]. They had done nothing wrong and were going to jail."

When he said he would defend Mr Mitchell in court if necessary, Sir Hal said Sir Patrick had said "You wouldn't do that would you?" He had replied: "Just watch me."

Charges against Mr Mitchell were withdrawn after customs officers were advised by government law officers that they had less than a 50 per cent chance of securing a conviction.

## ECGD condemned over £41m oil rigs loss

By David Dodwell, World Trade Editor

BRITAIN'S Export Credits Guarantee Department (ECGD) was yesterday condemned by the parliamentary public accounts committee for making losses, wrong judgments, failure to observe Treasury rules, failure to report fraud, and failure to keep records.

Criticism arose during interrogation over a bad debt, disclosed in the ECGD's most recent report and accounts, involving a Mexican oil rig operator, in which the ECGD has lost £41.4m, and become the accidental owner of two oil rigs.

The case dated back to 1980, when the ECGD insured loans totalling \$53.5m for the Mexican company Perforaciones Maritimas del Golfo (Permago) to buy two oil rigs being built by the Marathon yards in Scotland.

The case turned sour almost immediately after delivery in 1982, when drilling contracts for the rigs in Mexico were cancelled, and the company defaulted on loan repayments.

Over the next ten years, the ECGD opted to refinance the company, rather than press for sale of the rigs, discovered two frauds linked with Permago, which it chose not to report to the government's Fraud Investigation Branch; failed to keep

records of meetings about the case; and provided overdraft facilities in contravention of Treasury rules.

It made the refinancing decision without seeking advice on prospective oil price movements - critical to the likely profitability of the rigs. It failed to have departmental lawyers present in negotiations with Permago.

Mr Willott did not even pay "serious attention" to the case until July 1992, six months after assuming office, he told the committee.

In February this year, the ECGD repossessed the rigs, but not before a lack of maintenance resulted in repair costs rising from \$500,000 to \$5m. It is now trying to sell the rigs, and hopes to recoup between £12-20m - leaving taxpayers to carry a net loss of between £20 and £30m.

Mr Willott admitted that for most of the period concerned, the ECGD had failed to consult with other government departments, since "it tended to regard itself as having the sole expertise in this area. We are now less reluctant to consult others."

He conceded that no one in the department had been punished for the mistakes, but said that all concerned had now retired.

## Mayhew says IRA will not win • Protestant backlash feared

## Cost of bomb damage put at £22m

By Tim Cooney in Dublin

THE four terrorist bombs detonated in Northern Ireland since last Thursday will cost the UK government an estimated £22m in compensation, according to estimates released yesterday by the Northern Ireland Office.

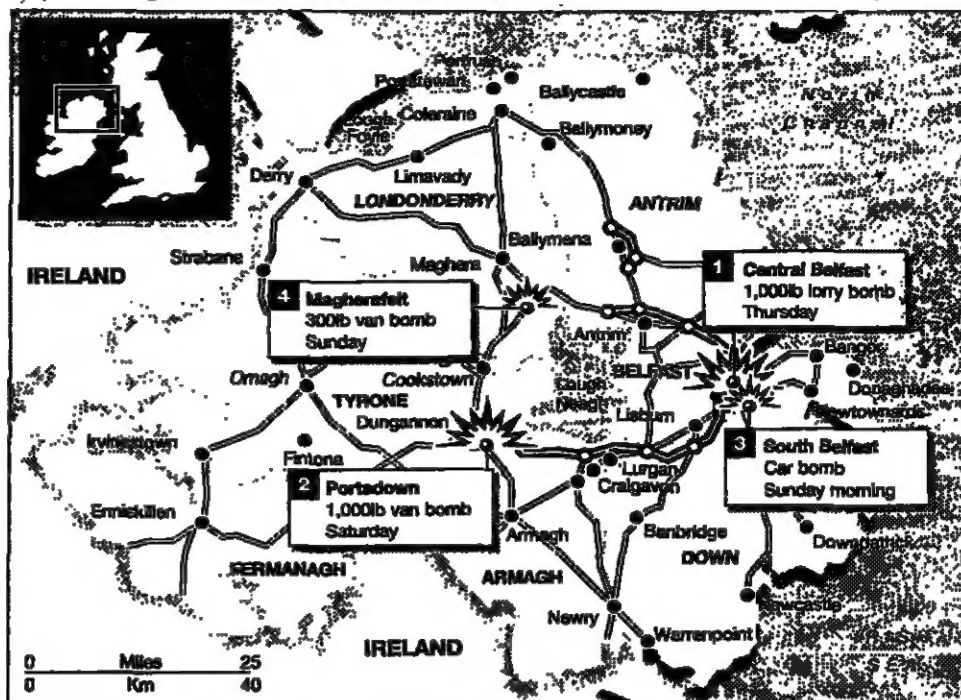
The recent bombing campaign escalated last Thursday when a 1,000lb bomb exploded in central Belfast, causing damage put at \$5.5m to surrounding buildings including the headquarters of the Ulster Unionist Party.

Another 1,000lb bomb caused \$2m of damage on Saturday when it exploded at a shopping centre in Portadown, County Armagh. The next day a 300lb bomb caused \$2.5m in damage to the Drunken hotel in Belfast, and was followed in the evening by another 1,000lb bomb in Magherafelt, a town near Derry, causing \$5m in damage.

Speaking in Derry yesterday, Sir Patrick Mayhew, Northern Ireland Secretary, said: "We have been through a hard period of four days. There may be more to come, I cannot guarantee that there will not. I can guarantee is that the IRA [Irish Republican Army] are not going to succeed."

The new IRA bombing campaign has met with predictable calls from unionist leaders for a return of internment of IRA suspects.

## Four days in the Ulster troubles



Mr Sammy Wilson, a spokesman for the Democratic Unionist Party warned at the weekend that "many sincere young men" from the Protestant community will take the law into their own hands if the security forces do not crack down on IRA suspects.

Mr Mayhew, who conferred with senior police and army officers in the province yesterday, is unlikely to be rushed into precipitate action. When internment was first used in the 1970s it provoked a violent backlash from the nationalist community and was condemned by the Dublin government.

Today, Mr Mayhew and Mr Dick Spring, the Irish foreign minister, meet in Dublin in the latest of the series of Anglo-Irish conference meetings, at which security officials from both sides will be present.

The main item on the agenda will be how to get the province's political parties back around the negotiating table to discuss a new political framework for Northern Ireland.

Mr MacGregor predicted that the first franchisees would be handed over to the private sector in the second half of next year.

He confirmed that overseas railways such as SNCF, the French national railway, would not be precluded from bidding.

## Government aims to head off BR revolt

By Ralph Atkins and Richard Tomkins

MINISTERS were last night confident of heading off a parliamentary revolt over British Rail privatisation as they neared agreement with rebel Tory MPs over protection for concessionary fare schemes.

A compromise plan, that may require rail franchise operators to provide discount fares for the elderly, families and young people, is likely to be announced by Mr John MacGregor, transport secretary, when the Commons resumes debate on the Railways Bill today.

Mr MacGregor, whose conciliatory approach appeared to have calmed many of the potential rebels' concerns, held a series of individual meetings with MPs yesterday and will hold more today.

Yesterday the transport secretary also announced that BR's passenger services would be divided into 26 geographically based business units which would ultimately be taken over by private sector franchisees.

Mr MacGregor predicted that the first franchisees would be handed over to the private sector in the second half of next year.

He confirmed that overseas railways such as SNCF, the French national railway, would not be precluded from bidding.

## Sharp retail price rises forecast

By Emma Tucker, Economics Correspondent

RETAIL prices are likely to rise sharply by the end of the year as inflation pushes through the upper limit of the government's target range, the National Institute of Economic and Social Research said yesterday.

In its latest quarterly review of the UK economy, the institute

predicts that underlying inflation - the retail prices index excluding mortgage interest payments - will be just over the top of the government's target range of 1-4 per cent.

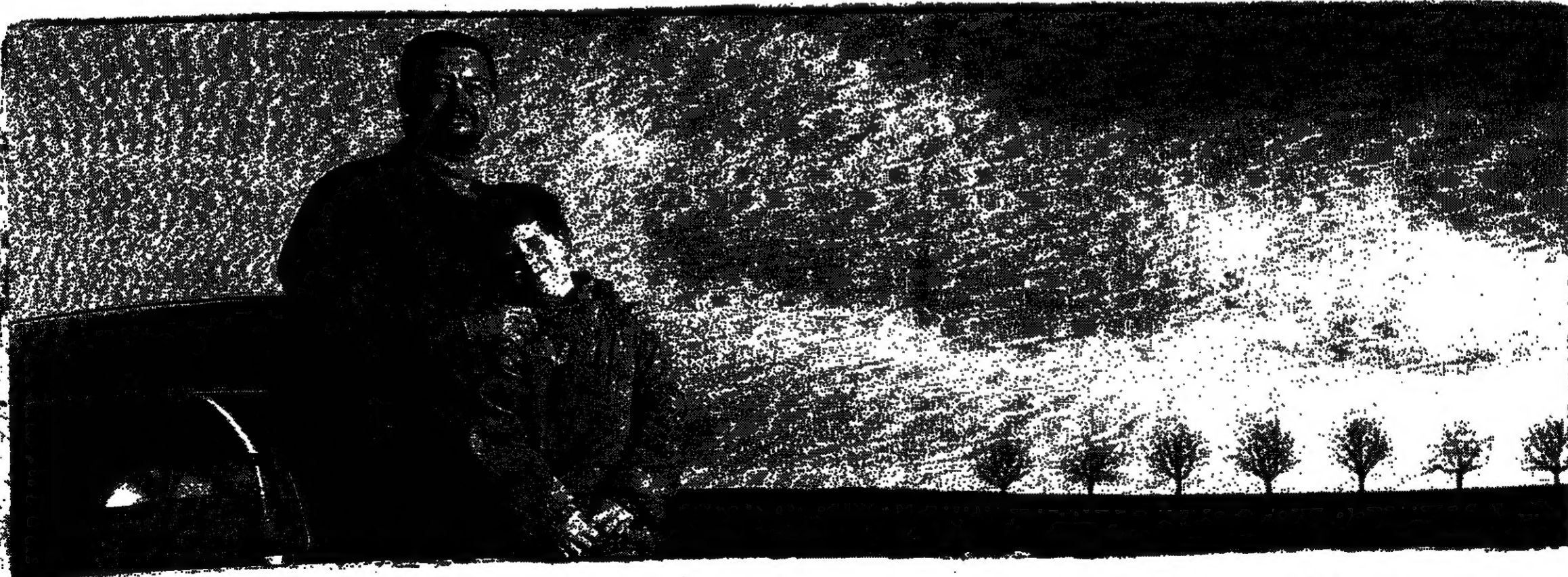
Inflation will be forced upwards by a 10 per cent rise in import prices over the year, it adds.

The institute's expectations for growth are unchanged since the last forecast in February.

It expects the British economy to grow by 2 per cent this year, and by 2.5 per cent next year.

It suggests that the trade deficit is widening at the moment and "may well be over 3 per cent of GDP for the year as a whole". Growth next year will be fuelled by strong investment and consumption as the main effect of recent interest rate cuts feeds through.

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## MANAGEMENT: THE GROWING BUSINESS

Writing the norms for products and services is moving centre-stage, writes Charles Batchelor

## Standard bearers

Creating standards for industry is the essential but humdrum task of an army of committees. Now, however, a rumbling controversy about one particular UK standard, BS 5750, regulating quality assurance systems, has focused attention on the standards and the organisations which write and police them.

Small firms have complained that BS5750 is unduly bureaucratic and is being foisted on them by their large customers. Others say the standard has been widely misunderstood as guaranteeing product or service quality, whereas it really only guarantees consistency in the way systems are operated.

At the same time, the establishment of the single European market and the prospect of the enlargement of the European Community have increased pressure on the committee draughtsmen to produce a pan-European library of standards so that products and services can cross borders more easily.

This spotlight on the traditionally low-key world of standard-writing has revealed the intensely commercial nature of the standards industry. Creating, monitoring and testing standards can be big business for the organisations involved and can produce lucrative fees for the consultants who help companies meet the criteria set.

In a broader context, nations can gain a crucial competitive advantage by ensuring that their standards are the ones which determine international norms. Britain, France and Germany have each been responsible for drawing up more than 20 per cent of international standards.

The Japanese, for all their well-earned reputation for manufacturing quality, have contributed only about 2 per cent but are showing an increasing interest.

US standards organisations, meanwhile, are fragmented and

lack a coherent voice in international standard-setting.

Despite the importance of standards to industry, the process by which standards are created and the organisations involved in the task are a mystery to most outsiders.

The picture is made no clearer by the range of overlapping national, European and international bodies involved and the pea-soup of acronyms used to label the organisations and the standards they produce.

In Britain, for example, the British Standards Institution, co-ordinates - but does not control - the writing of new standards. At the European level, most standards are set by CEN, the European Committee for Standardisation, but electrical products and telecommunications have their own organisations.

International standards, in turn, are set by the Geneva-based International Organisation for Standardisation (ISO).

Once again, however, electrical standards are created by a different organisation. The result is that the same standard can appear in many different guises. BS5750, the British quality assurance standard, pops up in continental Europe as EN29000 and on the international stage as ISO9000.

BSI is unique among world standards organisations in having responsibility for overseeing the writing of standards as well as the capacity to test products to see they meet the standard and to certify companies. Its counterparts in Germany, DIN, and France, AFNOR, restrict themselves to standards writing.

The breadth of BSI's activities, and its status as an "institution" incorporated by Royal Charter, provide the organisation with a considerable marketing advantage. In fact, testing and certification are intensely competitive and there are no fewer than 26 organisations

which have been accredited to certify products and companies.

Some are small, newly created consultancies, while others are large, long-established companies such as SGS Yarsley, Lloyd's Register Quality Assurance and Bureau Veritas.

"BSI does nothing to reduce the impression [that it has a special status] but we compete by being more efficient, offering a better service and on price," says Ian Williams, UK chief executive of SGS Yarsley. "We aim to give our client more than just a certificate on his wall."

Just who can issue certificates is also a subject of some complexity. In theory anyone can set up in business to check that companies meet a particular standard. In practice the certification companies must themselves be accredited. In the UK this is controlled by the National Accreditation Council for Certification Bodies but accreditation is catching on around the world.

The council does not give blanket approval to a certification organisation but accredits them by industry. BSI is accredited for 900 of the 1,000 or so standard industrial classifications. SGS Yarsley has made a speciality of the health care and software sectors.

Despite the move to creating more European standards, certification and testing are still carried out on a national basis and seals of approval and certificates are not always acceptable to customers in other countries.

It was to overcome this problem that the European Organisation for Testing and Certification was set up, after a two-year trial, last January. The aim is to persuade testing laboratories and certification bodies to recognise each other's work and agreement has already been reached in the information technology and electrical sectors.

The UK already has some 11,000 standards covering everything from the dimensions of twist drills,

The birth of a standard



Accidents are a trigger for improving standards...



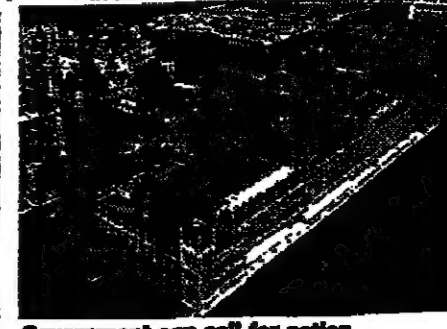
BSI initiates the debate...



Committee hammers out details...



Companies adopt standard...



Government can call for action...



The international dimension may prompt further negotiations...



Have the right to use Kitemark and ISO mark

through the lower explosion limits of coating powders and methods of testing cereals, to the fungal resistance of wood panels. In addition, there are about 2,500 European standards, though many overlap.

Despite these impressive numbers there is no slackening of demand both for new standards and the updating of old ones. "There is always more demand than we can meet, and the single market and new technologies mean it will go on increasing," says Michael Sanderson, BSI chief executive. Requests for standards come from government departments - the Treasury has put in a request for a credit management standard - from individual companies and from trade associations.

When a request comes in, BSI's standards-making division puts together a drafting committee made up, where appropriate, of manufacturers, purchasers, local authorities, government departments, trade associations and consumers. Representatives give their time free and do not claim

expenses. No fewer than 35 organisations sat on the committee which last year drew up BS7750, specifying environmental management systems. "It can be a thankless task, trying to bring together mutually antagonistic forces," comments Sanderson. "But we have been doing it for 90 years and we have got quite good at it."

Once a draft has been agreed, it is made available for public comment for a three-month period. It is often difficult to achieve agreement at a national level, but a further complication is added if, as frequently happens, the standard has international implications. BSI will then send a representative to CEN or ISO to steer the standard through the European or the international discussions.

From gleam in the eye to published document takes, on average, two years in the UK, four years in Europe and more than six years at international level, says Sanderson. He claims that Britain has a better record than many other countries for piloting European and international standards through the com-

mittee maze on time and close to the original specification.

Once a standard has been written, companies may buy a copy and then apply its criteria to their products or services or their entire operation. If they can meet the standard's specifications, they may then attach the appropriate seal, often in the UK the BSI's Kitemark.

Regular testing and inspections continue for as long as the company continues to comply with the standard. In theory, companies could falsely claim compliance but competitors will be quick to point this out. Customers also provide an important control mechanism and local authority trading standards officers keep a close watch.

Despite their importance to industry, standards have been very much a back-room activity, largely because each one is specific to a particular industry sector.

But, as more and more "horizontal" standards are created, covering areas such as quality assurance and environmental management and applicable to companies across a broad swathe of industry, they will move to centre stage.

## Back on the track at BSI

British Standards Institution. The title conveys a feeling of solidity, establishment, of being above the commercial fray. In fact the BSI has a monopoly in only one area of activity - that of standard writing.

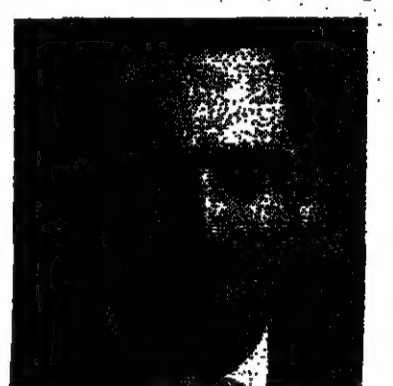
In the fields of testing and certifying products and companies, BSI faces tough competition from a range of commercial rivals. Even so, the widespread recognition in industry of BSI and its kitemark seal of product approval do give it an advantage in the market place.

On the international scene, BSI's dominance of standard setting and the range of its other activities also give it an undoubted advantage over its continental counterparts such as DIN in Germany and AFNOR in France, says Michael Sanderson, chief executive (pictured below).

Established in 1901 as the Engineering Standards Committee, the BSI has a wider range of activities than any of its national or international rivals.

BSI also avoided the split between the electrical sectors and the rest of industry which has marked other standards organisations. These arose because the International Electrotechnical Commission was founded in 1907, 40 years before the International Organisation for Standardisation, responsible for all other industry areas, and has never merged. All the standards organisations which were subsequently set up mirrored this split.

One of BSI's first actions was to bring order to the manufacture of structural steel sections used to make tramway rails. Within a year



## Furnishing a label of quality



Fitted kitchens now benefit from a purpose-designed British Standard

Kitemark involves two visits a year from FIRA, which has been authorised to carry out regular tests by BSI and costs about £1,500 a year, says John Atherton, Bernstein's quality systems manager. (Though initial testing of a kitchen range could cost between £5,000 and £10,000.)

It is difficult to quantify the impact of the Kitemark on sales, he says but he is happy to have a better-known quality label.

FIRA is aware of the problems national industry organisations face in getting their quality labels better known. "The problem for organisations like FIRA is we can't afford a massive national promotion," says Colin Aitkenhead, chief executive.

It was partly for this reason that FIRA became a co-founder, 18 months ago, of the European Association of Research Institutes for Furniture, linking 12 national quality systems managers. The European furniture industry is awash with national labels including the FIRA Gold Award, the Möbelmark label used in the Nordic countries and the French Norme Française.

The European association hopes to achieve an agreement on mutual recognition by the different national organisations and is working on creating a common label for furniture. But these hopes depend on the creation of European standards for furniture manufacture and these are still some way off.

## International glossary

## Marks of distinction

ISO, the International Organisation for Standardisation. Set up in 1947, the ISO is a federation of 96 member countries which appoint committees to establish international standards. More than 8,000 international standards have been created.

Responsibility for heading each standards committee is allocated to a country with experience in that area, with the result that seven members carry out 90 per cent of the work. Germany leads with 24 per cent of standards work, Britain with 23 per cent and France with 22 per cent.

If the ISO creates a standard this takes precedence over national or European standards. The only area where the ISO is not active is in the electrical industry. Electrical standards are the responsibility of the International Electrotechnical Commission, set up in 1907. International standards carry the ISO prefix.

CEN, the European Committee for Standardisation. CEN groups the national standards bodies of the 12 European Community member countries and the six members of the European Free Trade Association. A further eight countries, mainly from eastern Europe have affiliate status.

CEN was established in 1961 but had little to do for its first 24 years because standards setting was dominated by the national organisations or ISO/IEC. But in 1985 the European Community instituted a new approach to standard setting because it needed

standards to back up the directives it was starting to produce for its single market initiative.

CEN attempts to avoid duplicating the work of other organisations, so where possible its standards are based on national or international ones. They carry the EN (Euro-norms) prefix. CEN has just published a book describing its work and the system of European standards. CEN Standards for Access to the European Market costs £20 (€21) plus postage from CEN, Rue de



Stassart 36, B-1050 Brussels. Tel: +322 519 6511.

In common with ISO, CEN has no responsibility for the electrical industry. This is handled by CENELEC, the European Committee for Electrotechnical Standardisation, while telecommunications standards are dealt with by ETSI, the European Telecommunications Standards Institute.

The European Organisation for Testing and Certification (EOTC) was set up last January following a two-year pilot. Its aim is to establish the mutual recognition

by certification and testing organisations in Europe of each others' work so that companies do not need to obtain certification in each country.

The CE Mark is probably best known to the general public because it appears on the packaging for toys but is applicable to a wide range of products including construction products and gas appliances. Partly because of its use on toys it has come to be seen as a general consumer guarantee of quality or safety. In fact it is intended to show that a product meets the minimum specification required by the underlying EC directive. In some cases this is underpinned by independent certification, in others it hinges only on a manufacturer's declaration.

The BSI Kitemark is perhaps the most widely known UK seal of approval and is awarded, or licensed, by BSI to companies which produce goods to accepted national or international standards. Compared with the nearly 13,000 British Standards in existence there are fewer than 1,800 Kitemarks and lesser known Safety Marks. This is because Kitemarks apply to products and not services or procedures, while some of the older product standards would need to be revised to make them suitable for Kitemarking.

The launch of the CE mark is a possible threat to the Kitemark and has prompted BSI to consider how to promote its "label".

of the introduction of a kitemark for tramway rails in 1903 the number of steel sections used had fallen from 75 to five and industry made an estimated saving of £1m a year.

Despite Britain's early lead in standard setting, quality slumped after the Second World War. It was a realisation of just how far standards had slipped which prompted a revival of interest in the 1970s and the creation of BS5750, a quality assurance standard, in 1979.

That standard has proved phenomenally successful for BSI and quality assurance work, certifying, approving and testing companies to BS5750, accounted for 45 per cent of BSI's total 1992 turnover of £74m and nearly two-thirds of its £7.5m operating income. The growth in quality assurance work is almost solely responsible for the rapid rise in staff numbers to more than 3,000 in the past two years.

BSI's monopoly of the standards setting business gives it an undoubted advantage in the market for its other services but also helped foster a sleepy, bureaucratic atmosphere. A programme to improve efficiency was launched in the late 1980s. A layer of committees has been removed and a smaller main board created.

In the early 1990s BSI made an unsuccessful attempt to gain a monopoly over certification, alongside its existing exclusive mandate for standard-setting, but was rebuffed by the government. This has no doubt played a part in its becoming more commercial. BSI, 3 Park Street, London W1A 2BS. Tel: 071 629 9000.

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Alexander & Co  
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Manchester  
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**BANK OF ATHENS S.A.**  
ANNOUNCEMENT OF THE PUBLIC INVITATION TO BID FOR THE PURCHASE OF THE ASSETS OF THE COMPANY NAMED "ATHENS PIPE WORKS S.A."

The Bank of Athens as a special liquidator for the Company named "ATHENS PIPE WORKS S.A." which has been placed under a special liquidation procedure provided for in Article 48a to Law 1862/90 by virtue of Decision No 3967/92 of the Athens Court of Appeal, as the judgment section of that decision was construed by Decision No 5629/93 rendered by the same Court.

**BRIEF DESCRIPTION:**  
The company was founded in 1980 with a registered office located in Athens (Office Address: 280, Piraeus Street) and up to 1992, when the Company was placed under a stage of special liquidation the scope of its activities/business was as follows:  
1. The production of Steel Pipes  
- Longitudinally welded steel pipes (1/2" - 10 3/4") for water supply, mechanical structures, line pipe casing and tubing (with API monogram), water pumping (ASTM) etc.  
- SPIRAL welded steel pipes (8 1/4" - 50") and  
- Steel quick coupling pipes (diameter 70-180).  
2. The production of steel enameled bathtubs and  
3. The production of steel heating radiators.  
Its factory, which is located at position GLYFA, DROSSIA, CHALKIDA is 432.7 strammas (1 stramma = 1,000 square metres) in area and its enclosed space consists of five (5) independent large buildings and four (4) smaller ones and is 74,800 square metres in area.  
The installed power of the mechanical engineering equipment is 30,000 KW and the total production capacity of the factory is estimated, depending on the pipes specifications, at 100,000 - 150,000 tonnes per annum.  
Further, the Company owns a real property located in Nae Elfarpa, Thessaloniki (48, Langada Street), the site of which is 17.2 strammas in area and the enclosed space is suitable for use as a warehouse (5,143 square metres in area).

**BIDDING MEMORANDUM**  
Every party concerned will be entitled to receive a detailed Bidding Memorandum and any other information concerning the Company's assets being under sale upon submission of a confidentiality promise in writing.

**TERMS OF ANNOUNCEMENT**  
1. **Examination:** The Public Bidding Procedure will be carried out according to the provisions of Article 48a of Law 1862/90, according to the terms of this announcement and according to the terms which are included in the Bidding Memorandum, no matter whether they are repeated or not in this announcement. The submission of a binding bid shall mean the unreserved acceptance of all these terms.  
2. **Bidding bids:** For the participation in the bidding procedure the parties concerned will be summoned to submit a sealed written binding bid until Friday, 18th of June 1993, 12:00 hours to Georgia Fiamengou, Notary Public for and in Athens of 31, Char. Trikoupi Street, 4th floor, tel. No 3609478.  
The price being offered must be explicitly stated within the bid and such price must be a flat price for the Company's assets being sold and the terms of payment must also be mentioned in detail (for cash or on credit, making reference to the number of instalments, the time of their payment and the interest rate being proposed).  
Bids submitted out of time will not be accepted and will not be taken into account. The commitment pertaining to the bid shall be valid up to the assignment and the execution (signing) of the contract provided for in paragraph 7 of Article 48a of Law 1862/90.  
3. **Letter of Guarantee:** Every bid will be accompanied by a Letter of Guarantee issued by a Bank lawfully operating in Greece of a three (3) - month term at least for which an extension shall be possible up to the assignment, for an amount of three hundred (300) million, A model of the letter of guarantee is contained in the Bidding Memorandum. Bids without a letter of guarantee shall not be taken into account. In the event of breach of the terms of the bidding procedure by a participant who will be regarded as highest bidder the amount of the letter of guarantee will be forfeited in favour of the liquidator as a penalty and payment of damages to him.  
4. **Way of submission:** The bid along with the letter of guarantee will be submitted within a sealed opaque envelope. The submission of the bid will be made in person or by a lawfully authorized person.  
5. **The unsealing of the bid:** will be made by the Notary Public in her office on Friday, 18th of June 1993 at the 12.00 hours. Those who have submitted a timely binding bid will be entitled to be present upon the unsealing of the bid and sign the unsealing report to be drawn up.  
6. **Highest bidder:** The person whose bid will be judged by the creditors representing more than 51% of the claims against the Company (hereinafter called "the Creditors") at their absolute discretion, upon proposal submitted by the liquidator, as the most beneficial for the Company's creditors will be regarded as the highest bidder. It is noted that in the event that a deferred payment of the price is offered, the current value shall be taken into account for the evaluation of the bids, which will be calculated at an interest rate of 22% per annum compounded annually.  
7. **The liquidator:** will advise the highest bidder in writing to come obligatorily at a place and time which will be determined in the notice for the execution (signing) of the appropriate contract for the transfer of the assets on the basis of the terms of his/her bid and the other better terms, if any, to be recommended/indicated by the creditors and agreed upon with the highest bidder.  
The assignment shall occur upon the execution (signing) of the relevant contract for the transfer.  
In the event that the person/parties being regarded as the highest bidder breaks his/its promise to come and sign the contract for the transfer of the assets as well as to comply with his/its obligations resulting from this announcement and the terms of the bidding procedure, then the guarantee given shall be forfeited in favour of the liquidator Bank of Athens for the purpose of the payment of the expenses of any nature and its work as well as for the purpose of covering any actual loss or loss of earnings, without the liquidator having any obligation to give any particular proof in regard to them. Further, liquidator Bank of Athens will have the subsidiary right to regard that the letter of guarantee amount has been forfeited in its favour as a penalty and ask for its collection from the guaranteeing Bank.  
8. **All the expenses and costs of any nature for the participation in the bidding procedure and the transfer of the assets shall be exclusively borne by the parties concerned/buyers and the highest bidder, as the case may be.**  
It is noted that in regard to this transfer the exemptions and limitations/conditions referred to in paragraph 13 of Article 48a of Law 1862/90 shall apply, and the V.A.T., if any, on the terms of movable property shall be borne by the buyer.  
9. **The liquidator and the creditors shall not have any liability or obligation towards the parties participating in the bidding procedure in regard to the evaluation of the bids, the appointment of the highest bidder, the decision concerning the reputation or cancellation of the bidding procedure and generally for any other decision relative to the bidding procedure.** Further, the liquidator, the creditors and the Notary Public shall not be responsible in regard to any physical or legal defects of the items of property being sold. The submission of the binding bid shall not grant any right to assignment. Generally, the parties participating in the bidding procedure shall not acquire any right or claim in regard to this announcement and their participation in the bidding procedure against the liquidator or the creditors for any reason whatsoever.  
10. **This announcement has been drawn up in Greek and in English (translation). In any event, however, the Greek text shall prevail.**  
11. **For the receipt of the Bidding Memorandum and any additional information the parties concerned may address themselves to Mr. Dem. Vainela, the liquidator's representative, in the Company's offices, 280, Piraeus Street, tel. Nos 4802028 - 481375, fax No 4810771.**  
Athens 14th May 1993  
THE BANK OF ATHENS

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The Joint Administrative Receivers, N R Lyle and D L Morgan offer for direct sale or joint venture participation, Quietwaters Hotel, Golf & Country Club.

Quietwaters is within easy reach of London and the M25 and was formed in 1987 to establish a premier golf and country club comprising a luxury hotel, two golf courses and a wide variety of high quality sports facilities for tennis, bowls, squash and snooker.

Quietwaters comprises:

- Championship Golf Course designed to PGA European Tour standards.
- Further 18 hole golf course and separate club house with current turnover of £500,000 pa.
- Four star quality hotel with potential 118 rooms including swimming pool, health and fitness facilities and extensive conference and function facilities. Built to extremely high standard and only requiring soft fit out.
- Country club facilities annexed to the Hotel including 3 squash courts, 4 tennis courts, championship standard bowls hall, snooker rooms and 3 outdoor tennis courts.
- Full range of food and beverage facilities throughout

For further information please contact Sandy Brown or James McMurdo at the address below.

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**Hotels in London for Sale**

The Joint Administrative Receivers Peter Copp and Geoffrey Kinlan of Stoy Hayward offer for sale the businesses and assets of the following hotels. Both are busy tourist hotels situated in Kensington, London SW5, within walking distance of Earls Court Exhibition Centre.

| Ambassadors Hotel   | Kensington Court Hotel  |
|---|---|
| 138 rooms   | 35 rooms  |
| ◆ Freehold  | ◆ Freehold  |
| ◆ 7 floors plus basement  | ◆ Car park for 10-12 vehicles   |
| ◆ Extensively refurbished 2 1/2 years ago   | ◆ 6 floors plus basement  |
| ◆ Breakfast room/dining room  | ◆ Restaurant/breakfast room   |
| ◆ Conference facilities   | ◆ Lounge and bar area recently refurbished                                      |
| ◆ Large bar area  | ◆ Turnover £264,168 for the year ended 31.3.93 per unaudited financial accounts |
| ◆ 2 lifts   |   |
| ◆ Turnover £1,122,206 for the year ended 31.3.93 per unaudited financial accounts |   |

Interested parties should contact the Receivers' sole agents Robert Barry & Co., 7 Upper Grosvenor Street, Mayfair, London W1J 9PA. Tel: 071 491 3026 Fax: 071 629 9373.

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John Wynn, Baker Tilly,  
12 Gloucester Court, Crawley  
BN1 6AD, UK  
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Naples Florida  
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Price: \$2,500,000 Cash including \$1,900,000 inventory and fixtures  
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## LEGAL NOTICES

In the High Court of Justice  
No. 691272 of 1993  
Chancery Division  
IN THE MATTER OF OTTAWA'S PLC  
and  
IN THE MATTER OF THE COMPANIES ACT 1985  
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 21st March 1993 confirming the reduction of the capital of the above-named Company from £5,180,550 to £1,431,814 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 5th May 1993.  
Dated 14th 25th day of May 1993  
Messrs A & Co  
3 Worcester Street  
OXFORD OX1 2PS  
Solicitors for the above-named Company



## BUSINESSES FOR SALE

# SWAN HUNTER

The business and assets of the Swan Hunter group are for sale as a consequence of receivership of Swan Hunter Limited, Swan Hunter Shipbuilding and Engineering Group Limited and Swan Hunter Investments Limited.

- A name and reputation built on over 100 years experience of shipbuilding
- A company which has built over 2,700 vessels, of which more than 400 have been naval ships
- The main activities are :
  - the design, construction and integrated logistics support of warships, fleet auxiliaries and specialist merchant vessels for home and export markets
  - major refit work for a wide range of vessels
  - technology transfer services such as computer aided design and feasibility studies
- Operating from three shipyards on the River Tyne in North East England which have extensive and versatile production facilities including :
  - six berths with craneage of up to 180 tons
  - a dry dock of 264 metre length, 44 metre width and a minimum sill height of 5.56 metres
  - a 300 metre outfitting quay

- The three sites total some 129 acres
- An experienced design team and a leader in computer aided ship design technology
- Swan Hunter has designed a wide range of naval and merchant vessels for home and export markets
- A highly skilled and versatile workforce
- ISO 9001 approval for all types of surface warships, naval auxiliaries and merchant ships
- Existing contracts for three Type 23 frigates for the Ministry of Defence (MOD) and other non - MOD shipbuilding and engineering contracts
- A presence in South East Asia based on a business in Singapore and Malaysia offering integrated logistic support and design services

Interested parties should respond without delay to:

Tony Davis, Price Waterhouse,

89 Sandyford Road, Newcastle upon Tyne, NE99 1PL

Fax: UK 091 261 7353

Price Waterhouse



## CONTRACTS &amp; TENDERS

## INTERNATIONAL COMPETITIVE BIDDING NOTICE

BIDDING NOTICE No. 874-011/93

PETROBRAS S.A. - PETROBRAS has received a loan in various currencies equivalent to US\$ 260 million from the World Bank and intends to apply a portion of the proceeds of this loan to the purchase of material and equipment for the erection of one Hydrotreatment Process Unit at Presidente Bernardes Refinery, in Cubatão - SP - Brazil

This Bidding will be made under the rules of the World Bank and its purpose is the purchase of the following equipment:

- forty five (45) shell and tube heat exchangers, designed and fabricated in accordance with ASME Sec. VIII, Div. 1 and TEMA Codes, H2 and H2S service, design conditions for shell side up to 75 kg/cm<sup>2</sup>(g) and 230°C, design conditions for tube side up to 28 kg/cm<sup>2</sup>(g) and 455°C.

Bids will be received until Aug 11 1993 at 3:00 p.m.

Interested BIDDERS, from eligible countries, members of the World Bank, Switzerland and Taiwan, China who have supplied at least three (3) of each one of the items with characteristics similar to those described above, besides complying with the other requirements provided with the Bidding Documents, may obtain this Bidding through the presentation of a bank deposit slip in the amount of a non-refundable fee of US\$ 300 (three hundred American dollars) to be made at Banco do Brasil S.A. Agência Centro - Rio de Janeiro (code 0001-9) current account no. 377.100-8 in the name of PETROBRAS/ADM. CENTRAL, or contact us at no expense at the following address:

PETROBRAS S.A. - PETROBRAS  
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Av. República do Chile no. 65, 6º andar - sala nº 662  
CEP : 20035-900 - Rio de Janeiro - RJ - BRASIL  
Phone : (021) 534-1731 or 534-1745  
FAX : (021) 534-3837 or 534-3838  
Ref. : EDITAL No. 874-011/93  
Attn. : Coordenador da Comissão de Licitação

## INTERNATIONAL COMPETITIVE BIDDING NOTICE

BIDDING NOTICE No. 874-010/93

PETROBRAS S.A. - PETROBRAS has received a loan in various currencies equivalent to US\$ 260 million from the World Bank and intends to apply a portion of the proceeds of this loan to the purchase of material and equipment for the erection of one Hydrotreatment Process Unit at Presidente Bernardes Refinery, in Cubatão - SP - Brazil

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- driven: electric motor

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Interested BIDDERS, from eligible countries, members of the World Bank, Switzerland and Taiwan, China who have designed and manufactured at least three (3) of each one of the items with characteristics similar to those described above, besides complying with the other requirements provided with the Bidding Documents, may obtain this Bidding through the presentation of a bank deposit slip in the amount of a non-refundable fee of US\$ 300 (three hundred American dollars) to be made at Banco do Brasil S.A. Agência Centro - Rio de Janeiro (code 0001-9) current account no. 377.100-8 in the name of PETROBRAS/ADM. CENTRAL, or contact us at no expense at the following address:

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SERVIÇO DE MATERIAL - SERMAT  
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Phone : (021) 534-1731 or 534-1745  
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مكازم الكحيل





The drugs industry's view of Alzheimer's disease has been transformed during the past two decades, from an obscure and untreatable form of dementia to a favourite target for research. Alzheimer's disease probably causes more human distress, for victims and their families and friends, than any other single disease of modern industrial society. It is now known to cause 70 per cent of all cases of dementia, turning healthy brain cells irreversibly into a characteristic pattern of decaying tangles and sticky plaques of protein. At least 10m people worldwide suffer from Alzheimer's disease.

The symptoms include progressive memory loss, inability to carry out simple everyday tasks, breakdown of personality and, after a few years, death. Alice Zilanka, aged 73, memorably described the early stages of the disease as "a dark thunderstorm".

Unfortunately there is no prospect of lightening her personal darkness. But there is now a glimmer of scientific optimism about Alzheimer's. Researchers have begun to understand the biological basis of the disease, in particular the microscopic "senile plaques" and "neurofibrillary tangles" that are the main signs of deterioration in sufferers' brains at post-mortem examinations.

The plaques result from the aggregation of "beta-amyloid protein" molecules around the decaying nerve terminals of brain cells. These molecules are fragments of a much larger parent protein, known as amyloid precursor protein (APP). Healthy cells produce small quantities of APP (though its normal function is unknown) but in excess it may lead to toxic accumulations of beta-amyloid.

Several different factors can trigger the Alzheimer's process. Researchers at St Mary's Hospital Medical School in London have recently discovered that some rare inherited forms of the disease are due to mutations in the gene on chromosome 21 which determines the structure of APP.

But inherited genetic defects probably account for only 10 to 15 per cent of Alzheimer's cases. Many more are caused by environmental factors triggering excessive APP production in injured nerve cells. One possible factor that used to be the subject of much interest - but is now rather discredited - is intake of aluminium. There is more evidence linking severe head injury to the development of Alzheimer's. Viruses may also be involved. But most of the risk factors are

Despite recent advances in research, effective treatment may still be a long way off, writes Clive Cookson

# Insights pierce Alzheimer's dark

unknown. Clues may come from epidemiological studies which show that Alzheimer's is extremely rare among old people in tropical Africa but common in Afro-Americans who have grown up in the US.

Reports of the recent advances in Alzheimer's research - fuelled in the US by enthusiastic press releases from young biotechnology companies working on drugs for dementia - have aroused what many experts believe is an unrealistic public expectation that there will soon be an effective treatment for the disease.

"I can't see anything within 10 years that is really going to make an impact on Alzheimer's," says Jeffrey Dunbar, director of Smith-Kline Beecham's central nervous system therapeutic unit. "Yes, there's a lot of interest in APP but we're a long way away from an actual drug even in that area."

Michael Traub, director of clinical neuroscience at Merck's UK laboratory, looks even further ahead. "Someone might come up with a fundamental understanding of Alzheimer's disease within the next 30 years but that doesn't mean there'll be a drug in 20 years," he says.

The types of treatment now undergoing clinical trials can do no more than relieve temporarily some of the symptoms, particularly memory loss. The most popular approach is to improve the function of neurotransmitters, the chemical switches by which cells pass messages. The main target is acetylcholine (a neurotransmitter essential for memory) in which the Alzheimer's brain is severely deficient.

A class of medicines called anticholinergics achieve this by blocking the enzyme that destroys acetylcholine in the brain. Two such drugs, donepezil (Aricept) from Hoechst of Germany and tacrine (Cognex) from Warner-Lambert of the US, are awaiting approval from regulatory authorities on both sides of the Atlantic.

Several more are at an earlier stage of development. But they are controversial because they only work in a minority of patients - improving memory slightly for a

## Predictions for dementia in the UK



| Year | 40-64     | 65-79     | 80+       | Total 40+ |
|------|-----------|-----------|-----------|-----------|
| 1991 | 1,450,000 | 1,650,000 | 1,850,000 | 2,050,000 |
| 2001 | 1,650,000 | 1,850,000 | 2,050,000 | 2,250,000 |
| 2011 | 1,850,000 | 2,050,000 | 2,250,000 | 2,450,000 |
| 2021 | 2,050,000 | 2,250,000 | 2,450,000 | 2,650,000 |

Note: at least 70 per cent of dementia cases in the UK are Alzheimer's disease. Source: Alzheimer's Disease Society, 1991, OPCS, 1992

year or two - and they can cause side-effects such as liver damage.

In addition, several existing drugs that help other disorders of the nervous system are being tested for their effect on Alzheimer's. An example is seligiline (Eldepryl) from Sandos of Switzerland, which slows the progression of Parkinson's disease by reducing the damage done to brain cells by oxygen-free radicals.

However, "the holy grail of Alzheimer's research must be to prevent beta-amyloid deposition," says Jim Edvardsson, director of the MRC Neurochemical Pathology Unit in Newcastle upon Tyne. "Many pharmaceutical and biotechnology

damage that had taken place.

If effective drugs are developed for Alzheimer's disease, it will be all the more necessary to have accurate tests to diagnose the disease in the early stages, so that treatment can begin before serious symptoms appear. At present there are no simple diagnostic tests to distinguish even advanced Alzheimer's from other forms of dementia with different causes (such as multi-infarct dementia, the next most common form in elderly patients, in which a series of small strokes interrupts the blood supply to tiny areas of the brain).

Only a post-mortem examination of the brain - such as Alois Alzheimer carried out for his original description of the disease in 1907 - will tell definitively whether someone suffered from Alzheimer's. But two approaches to a diagnostic test for living patients are giving promising results in research.

Brain scans will soon be accurate enough to show the changes characteristic of the disease. For example, the Oxford Project to Investigate Memory and Ageing, based at the Radcliffe Infirmary, is using X-ray computed tomography (CT scanning) to reveal Alzheimer's-related shrinkage in part of the brain that is important in memory, the medial temporal lobe. And Nicholas Fox, an Alzheimer's Disease Society fellow at St Mary's Hospital Medical School, plans to detect early degenerative changes in the brain through magnetic resonance imaging.

Biochemical markers may be used to diagnose the disease and follow its progress. One candidate is the level of APP in spinal fluid, lower in Alzheimer's patients (possibly because it is being deposited as beta-amyloid protein in the brain). Sibia, a Californian biotechnology company, is developing an antibody-based test based on this observation.

Any company developing an effective drug for Alzheimer's would earn a new world market potentially worth several billion dollars a year. But it would save at least as much as that by enabling old people to continue living at home, instead of becoming dependent on the health care system or on family members who assume what can become a crushing physical and emotional burden by caring for them.

Above all, an Alzheimer's cure would end the agony for millions of people who and their lives with minds like dark thunderstorms. A realistic assessment suggests that people who are now young adults can look forward to an old age free of Alzheimer's.

The series will continue next month with a look at treatments for the menopause.

## Trading up in Montreal

Bernard Simon examines a new service at a Canadian exchange

Every stock exchange aims to make trading in its listed securities as efficient and orderly as possible. Any market that falls short risks losing business to its competitors in an era when many companies list their shares on more than one exchange.

The Montreal Exchange is going one step further. Besides honing its own trading system, the exchange is in the advanced stages of a project that will give member firms access to other exchanges and provide the myriad sources of data required by a securities dealer - all on a single terminal.

"We see it as a normal extension of a stock exchange," says Keith Gray, president of TD Green Line, Canada's biggest discount brokerage and one of six securities dealers that have agreed to install the Montreal system. The ME's project - known as Platform for Electronic Access to Exchanges (Peace) - both competes against and complements services offered by established systems integrators in the financial services industry.

One Canadian securities firm, RBC Dominion Securities, has shunned the Montreal project in favour of its own trading platform, which it is developing with the help of Reuters. Ken Troy, president of Reuters Information Services in Canada, says that by mixing and matching trading platforms and data feeds, securities firms can "get exactly what they need". Peace users will be able to use Reuters data and will have access, if they wish, to a Reuters trading platform through an electronic bridge.

The Peace project has its origins in the long-standing rivalry between the ME and the busier Toronto Stock Exchange. Most large Canadian companies and several foreign ones list their shares on both exchanges, with the result that competition for trades is intense. Trading volumes in Toronto are five to six times higher than Montreal, and the ME saw a risk of an even greater imbalance when the TSE travelled plans early last year

to replace its trading floor with a fully automated trading system. "It was a cue for everyone that it was time to change," says Rene Poirier, the ME's vice-president for development.

Peace will give traders equal access to the ME and the TSE through a single workstation. Traders will enter buy and sell orders into Peace, which will search each exchange's electronic order book for the best deal and then match orders on the basis of price and volume. The system will also be able to split orders between the two exchanges.

Toronto's automated trading system has similar capabilities but does not integrate its software with members' other trading and data requirements.

Peace will enable traders to use the same terminal for a variety of other functions, such as historical market data, information on a trader's limits and positions, and back-office links. "The idea is to have one physical device in front of a trader which can do almost anything," Poirier says.

A key element in the Montreal package will be a data distribution system known as Fisi, which has been developed by Kapitl, a UK-based systems integrator. The Kapitl software is already used by, among others, Barclays Bank's global treasury division and Republic National Bank of New York. "The name of the game will be to get the best market will win," Poirier says. "If the people in Montreal are aggressive, they'll be in a better position to get their share of the market."

The Peace system is due to be commissioned by the first of its initial customers in August. If it proves successful, the ME plans to add trading functions for the Vancouver and New York exchanges, both of which have several dozen listings in common with Montreal and Toronto. The next step will be to try to interest foreign securities firms that execute trades on more than one exchange. New customers would make Peace not just a technological success, but a commercial one as well.



# ESTONIA

International Tender for the sale of  
**INDUSTRIAL ENTERPRISES**  
by the Estonian Government Agency  
for Privatization of State Property

Enterprise number, name, location (in brackets: type of business/capacity if available/number of employees at the year-end 1992)

## Food/Beverages

(EE-61) RAS "Laiur" EE0026 Tallinn (Bread and bakery products 42,000 tons per year; macaroni, noodles 4,000 tons per year; food concentrates 200 tons per year/894)

(EE-62) RE "Tartu Laivakombinaat" EE2400 Tartu (Bread 64 tons per day; pastry 5 tons per day/274)

(EE-65) RAS "Kohila-Järve Laivakombinaat" EE2020 Kohila-Järve (Bread 670 tons per month; pastry and biscuits 100 tons per month/280)

(EE-71) RAS "Tartu Oletas" EE2400 Tartu (Beer 130,000 hl per year; soft drinks 30,000 hl per year; mineral water 15,000 hl per year; malt 2,800 tons per year/330)

(EE-91) RAS "Tartu Pärmitööstus" EE2400 Tartu (Yeast 3,000 tons per year/48)

(EE-92) RAS "Salataguse Pärmitööstus" EE3421 Rapla (Yeast, molasses 3,300 tons per year/53)

(EE-95) RE "Tallinna Pärmitööstus ja Jääturustamine" EE0004 Tallinn (Margarine and margarine products 5,000 tons per year; mayonnaise 1,500 tons per year; mustard 500 tons per year/174)

## Paper/Paper Products

(EE-38) RAS "Koi" EE3420 Kohila (Paper, wallpaper, note-books 4 million pieces per year/110)

(EE-96) RAS "Meie" EE0102 Tallinn (Packages, plastic boxes, printing/195)

(EE-181) RAS "Räpina Paberivabrik" EE2811 Räpina (Cardboard/87)

## Furniture/Wood Products

(EE-143) RAS "Viitend Metsakombinaat" EE2900 Viitend (Timber logging, sawn timber, matches, furniture/530)

(EE-144) RAS "Pärnu Metsatööstus" EE2900 Pärnu (Timber logging, wooden chips, sawn timber, metal frames for furniture/502)

(EE-148) RAS "Norden" EE2945 Jõhvi (Timber logging, sawn timber/134)

(EE-148) RAS "Avinurme Metsatööstus" EE2955 Avinurme (Sawn timber, wooden products/112)

(EE-150) RAS "Standard" EE0004 Tallinn (Furniture/812)

(EE-155) RAS "Tolle" EE3461 Vändra (Wooden products, metal carcasses for furniture, timber/104)

(EE-156) RAS "Viru" EE2020 Kohila-Järve (Kitchen furniture, office furniture/340)

## Textiles/Clothing

(EE-10) RAS "Pärnu Unakombinaat" EE3600 Pärnu (Linen cloth, linen products 25,000 tons per year/600)

(EE-185) RAS "Kiementi" EE0026 Tallinn (Men's wear; women's wear 540,000 pieces per year; children's wear; pillowcases 220,000 pieces per year/311)

(EE-188) RAS "Sõle" EE2010 Sillamäe (Women's, men's and children's wear, sportswear and bed linen/215)

(EE-189) RAS "Ei" EE2040 Kivoli (Men's wear; women's wear 190,000 pieces per year; children's wear 370,000 pieces per year; curtains; underwear/451)

## Leather/Shoes

(EE-15) RAS "Kommunaar" EE0108 Tallinn (Shoes, boots and footwear 2 million pairs per year/1,830)

(EE-181) RAS "Nakro" EE2000 Narva (Tannery, chromated leather 150 million sqm per year/672)

(EE-182) Assets of "Rakvere Jalavabrik" (leased) EE2100 Rakvere (Leather footwear/103)

(EE-183) RAS "Väru Jais" EE2210 Väru (Shoes 600,000 pairs per year/317)

## Machinery/Metal Products

(EE-31) RAS "Tallinna Masinööstus" EE0017 Tallinn (Air coolers, oil shale industry equipment, reservoir tanks, welded construction, steelcastings, forgings/600)

(EE-121) Assets of RE "Pioneer" (leased) EE0008 Tallinn (Tools and moulds, metal ceramic/277)

(EE-122) RAS "Vakumeharika" EE2400 Tartu (Cast iron and welded metal construction/687)

(EE-125) RE "Lõuna Lõuvarandus" EE3020 Lõuna (Shipbuilding and ship repairs, steel constructions/687)

(EE-208) RE "Eestienergomontaaž" EE2000 Narva (Assembly of machinery/178)

(EE-244) RE "Shtamp" EE0010 Tallinn (Carbide tools/63)

## Electrotechnical

(EE-127) RE "Tööstusepaar" EE0107 Tallinn (Electromagnetic water meters 3,500 pieces per year; calorimeters 50,000 pieces per year; position indicators, switches 170,000 pieces per year/540)

(EE-128) RAS "Volta" EE0110 Tallinn (Electric motors 100,000 pieces per year; electric radiators 70,000 pieces per year/1,384)

(EE-138) RAS "RET" EE0100 Tallinn (Electric and electronic parts, radios, tape recorders, turntables, loudspeakers/1,151)

(EE-114) RAS "Pulmorm" EE0015 Tallinn (Plastics fabrication, household articles, sportswear, latex foam, calendar products, coated wallpaper/633)



(EE-116) Plant "Fertiliser Complex" of RE "Põlevikukompleks" EE2020 Kohila-Järve (Ammonia 195,000 tons a year; urea 100,000 tons a year/593)

## Others

(EE-33) RAS "Tarbekas" EE0110 Tallinn (Glass and glassware 3 million pieces per year/110)

(EE-158) RAS "Tallinna Kivivabrik" EE2020 Kohila-Järve (Plaster 300 pieces per year; other musical instruments/120)

(EE-178) RAS "Ulu" EE0001 Tallinn (Souvenirs from textiles, metal, wood, leather, national costume/574)

(EE-189) RAS "Väru Geoloog" EE2020 Kohila-Järve (Geological and hydrogeological surveys, drilling/45)

(EE-200) RAS "Tartu Geoloog" EE2400 Tartu (Geological and hydrogeological surveys, drilling/30)

(EE-215) RAS "Tehnoprojekt" EE0105 Tallinn (Engineering, consulting/42)

(EE-220) RAS "EPRE" EE0102 Tallinn (Construction work, engineering/89)

(EE-280) RAS "Hotel Viru" EE0015 Tallinn (Hotel 428 rooms, 800 beds; restaurant 550 places (leased land 12,750 sqm)/706)

## Tender Conditions

- In accordance with its legal mandate, RE Eesti Erastamisettevõte (Estonian Government Agency for Privatization of State Property, "EERE") intends to sell the aforementioned enterprises by means of a tender in the following manner:
  - bids for a state-owned enterprise (organized as "RAS" under Estonian law) must be for the majority of the company;
  - bids for a state-owned enterprise (organized as "RE" under Estonian law) must be for its total operation;
  - bids for a plant must be for its total assets (e.g. buildings, inventories, equipment and inventory), with inventory likely to be valued as of the time of acquisition;
  - bids for assets or parts of an enterprise must be for a separable unit of a RAS, RE or plant, with inventory likely to be valued as of the time of acquisition.
- The tender is public and anyone is entitled to bid.
- In deciding among the bids, EERE will take into consideration, among other things, the bid price, the business plan submitted, promises to maintain or create jobs, and pledges to invest, each of which will be considered part of the bid. Upon signing a contract, the successful bidder will be required to post a bond in order to guarantee these pledges.
- Interested parties can obtain enterprise and plant profiles without charge from EERE. EERE is not responsible for the accuracy and completeness of this information. Prospective bidders will receive written notification from EERE to visit the enterprises or plants on the basis of which additional information will then be provided by the enterprise or plant management.
- Bids must be in writing and should be submitted in a sealed envelope marked only with the name of the enterprise or plant for which the bid is submitted.
- Bids must be received at EERE, Rävala 6, EE0105 Tallinn, Estonia, no later than 2:00 p.m. (local time), on July 8, 1993 (the "closing date"). Bids will thereafter be opened immediately. Bids must be denominated in Estonian Kroon (EEK) or Deutsche Mark (DM), and must remain valid for one hundred and twenty (120) days after the closing date.
- Bids must be accompanied by a bond of five (5) percent of the bid price in the form of an irrevocable bank guarantee valid for one hundred and twenty (120) days after the closing date. The bid bond must be payable on first demand and will be forfeited if the bidder either fails to hold its bid open for the required period or refuses to sign a contract in accordance with the bid.
- EERE will decide on the bids within one hundred and twenty (120) days after the closing date. Bidders will be invited to present their bid within this period. EERE is not bound to accept any bid and may accept a bid other than the highest. Several bidders for one and the same object will have an additional opportunity to improve their bid. All other offers being equal, EERE will conclude a contract with the bidder that offered the highest bid price.
- To the extent that a previous owner has submitted a claim seeking return (in whole or in part) of a company, enterprise or a part thereof, a decision in accordance with applicable Estonian law.
- Processing the tender and payments will be carried out according to applicable Estonian law.

EERE (RE Eesti Erastamisettevõte)

J. Merilä, Chairman

Dr H. B. Schmitz, Chief Consultant

Office hours for the EERE are Monday through Friday from 9 a.m. until 4 p.m. (local time).

For further information (enterprise profile, data on Estonia, visit authorization) please contact:

**RE EESTI ERASTAMISSETTEVÕTE**  
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## BUSINESS AND THE LAW

## Limits on postal monopoly



EUROPEAN COURT

Legal monopolies given exclusive rights by national laws will be open to competition in areas which do not threaten their core traditional business or their economic viability following a ruling by the European Court of Justice last week.

The court clarified the position of legal monopolies under EC competition law in a case involving the Belgian postal service. It said that a business which held a dominant position because it was granted exclusive rights under national law did not automatically breach EC competition rules.

Member states, however, were under a duty not to adopt or maintain measures which weakened EC competition rules.

In the context of businesses entrusted with services of general economic interest, EC competition rules still apply so long as they do not interfere with the provision of such services.

Belgium's postal monopoly law gave exclusive right to the Belgian postal authority to collect, transport and deliver post in Belgium. Criminal proceedings were brought against a Mr Corbeau for providing a service in Liege.

The Liege court sought guidance from the European Court on the compatibility of the postal monopoly with the Rome treaty's prohibition of abuse of a dominant position and the rules dealing with the application of competition law to the public sector.

The court ruled that the core service provided by the postal authority was a service of general economic interest and thus EC competition rules would not apply to the extent necessary for the achievement of the core postal service. However, it was necessary to establish to what extent the competition rules must be excluded for that purpose of general economic interest to be achieved.

Because the Belgian postal monopoly needed to remain economically viable - by cross-subsidising unprofitable with profitable sectors - it was justifiable to prevent outside competition from those who only sought to provide a competing service in profitable

sectors of the market. Competition could be permitted when competing services were specific, such as meeting particular requirements and therefore distinguishable from the core postal service.

Supplementary or improved services, such as home collection or greater reliability within limited areas, would not threaten the economic viability of the service.

Nevertheless the ECJ left it to the national court to apply these criteria to the particular facts.

C-220/91: *Paul Corbeau*, ECJ FC, 19 May 1993.

## Spanish aid decision overturned

William Cook, a UK steel castings group, has won its appeal against the European Commission's rejection of a complaint about state aid granted to a Spanish competitor.

The Spanish government granted a subsidy to Piezas y Rodajes SA for a foundry investment programme in Teruel province. Further subsidies were granted by various local authorities. William Cook complained to the Commission that the additional aid was unlawful.

The court declared the appeal admissible as William Cook was a party concerned by the procedure which the Commission should have initiated, even though the Commission denied there were any big distortions of competition resulting from the contested aid.

The court repeated its definition of parties concerned in this context as persons, undertakings or associations whose interests might be affected by the provision of the aid.

The court overturned the Commission decision because it had not initiated the procedure provided for by the treaty when it had difficulties in assessing the compatibility of aid. The court said the Commission may restrict itself to a preliminary examination when taking a decision to allow aid, only if it can satisfy itself from this that the aid is compatible. Otherwise, it is duty bound to obtain all opinions and initiate the full procedure.

C-195/91: *William Cook Plc v Commission*, ECJ FC, 19 May 1993.

BRICK COURT CHAMBERS, BRUSSELS

No one is quite certain of the extent of illegal photocopying of extracts from books, periodicals and journals by businesses in the UK. A pilot study in 1988 showed that the annual use by commerce and industry of copyrighted material is about 1.7bn copy pages. That is equivalent to a pile of copier paper 107 miles high, the distance between London and Nottingham as the crow flies.

It also represents an enormous loss of copyright income for authors and publishers, including lost revenue from the export of intellectual property of British rights holders. Copyright, which is just one form of intellectual property, is estimated to account for 2.5 to 3 per cent of the UK's gross domestic product.

Attempts in the early 1980s by the Copyright Licensing Agency (CLA), Britain's organisation for licensing the reproduction of copyrighted material, to reach agreement with industry for such a scheme came to nothing. But following success in establishing licensing schemes for schools and libraries, and changes in the law made by the 1988 Copyright, Designs and Patents Act, the CLA was encouraged to make a further attempt to reach agreement with business. A joint CLA/Confederation of British Industry taskforce was set up in 1989 to examine the issue. Next week, after almost three years of discussions, the CLA will launch a copyright-licensing scheme for business, though complete agreement proved elusive and the CBI did not endorse the plan.

Nevertheless, a licensing scheme is to become available from June 2, and that means industry will have to come to terms with paying for something which it is used to getting for free. Those companies which photocopy from books and journals but do not become licensed will face an enhanced risk of legal action by copyright holders.

One of the key issues faced by the CLA/CBI taskforce was how to determine the volume, value and variety of copying by businesses without imposing unreasonable administrative costs on companies.

As an alternative to a blanket licence, the taskforce looked at the merits of a "transactional licence", where copies are cleared by the copyright owners as and when needed. Both the CLA and the CBI felt such a scheme would be too difficult to manage compared with a blanket licence. But the CLA argued that an unrestricted blanket licence could have a very damaging effect on primary sales of copyrighted works.

In the end the taskforce settled on a two-tier system. Part A of the CLA's plan allows multiple copying up to a certain number of copies. Above that number the licence will

## The photocopier as money-spinner

Robert Rice on a licensing scheme which seeks to make UK companies pay for reproducing copyrighted material



CLA's Colin Hadley

not apply. Part B covers access to the CLA's Rapid Clearance Service (Clarcs), a telephone-accessed database designed to handle individual requests to copy specific titles outside the scope of the basic licence. Clarcs fees will be payable on a case-by-case basis.

The CBI wanted to make Clarcs available separately from a basic Part A licence, but the CLA would not agree, arguing that it is uneconomical for small transactions.

The basic licence will allow copies to be taken from publications within the CLA's remit. This includes all books and journals published in the UK except works in categories such as newspapers, maps, exam papers, printed music and industrial house journals.

The CLA is also able to license copying from works published in other countries where reciprocal agreements exist between CLA and similar overseas bodies such as the US Copyright Clearance Center.

The licence allows businesses to make up to nine copies of one

## Tariff for business

| Economic activity  | Annual fee per professional employee |
|--|--------------------------------------|
| <b>BAND A</b>  | £18 plus VAT                         |
| Nuclear fuel production  |                                      |
| Chemicals; pharmaceutical products                               |                                      |
| Man-made fibres  |                                      |
| Office machinery and data processing equipment                   |                                      |
| Processing of rubber and plastics                                |                                      |
| Research and development   |                                      |
| Medical, health and veterinary services                          |                                      |
| <b>BAND B</b>  | £12.00 plus VAT                      |
| Coal mining and manufacture of solid fuels                       |                                      |
| Mineral oil processing   |                                      |
| Extraction and preparation of metallic ores                      |                                      |
| Metal manufacturing  |                                      |
| Extraction of other minerals                                     |                                      |
| Manufacture of non-metallic mineral products                     |                                      |
| Manufacture of other metal goods                                 |                                      |
| Mechanical engineering   |                                      |
| Electronic and electrical engineering                            |                                      |
| Manufacture of cars and parts                                    |                                      |
| Manufacture of other transport equipment; aerospace              |                                      |
| Manufacture of paper and paper products; printing and publishing |                                      |
| Business services; legal, accounting and technical services      |                                      |
| Public administration; national and local government             |                                      |
| <b>BAND C</b>  | £6.00 plus VAT                       |
| All other classes of economic activity                           |                                      |

Source: Copyright Licensing Agency

article from a single issue of a journal, or one chapter of a book (or up to 5 per cent of the publication if this is greater), in connection with any single occasion (such as a meeting) or for any single purpose. Copies can be distributed freely within the licensee's business but external distribution is prohibited.

Licence fees will be calculated by reference to the number of "professional employees" within a company, defined as all staff except clerical personnel and apprentices. No price tags have been set out because collective price-fixing agreements are outlawed by competition rules. Instead the taskforce has proposed a basis for a tariff from which a company's charges can be negotiated.

As the table shows, the tariff of fees proposed by the CLA will vary for different sectors of industry. This is to reflect the fact that the value of the material copied and the volume of copying will vary from sector to sector. According to Mr Colin Hadley, CLA's chief execu-

tive, the experience of foreign copyright licensing agencies, particularly the CCC, makes it possible to predict sector patterns in photocopying. Industries with intensive research and development functions such as pharmaceuticals and energy are by far the heaviest copiers.

Nevertheless, if companies are going to feel confident that the licence fees paid are reasonable and the CLA confident of a fair distribution of licence income to individual copyright holders, detailed measurement of volume, value and variety of copying will be needed.

It was this issue which proved the main sticking point for the taskforce. Recording the number of copies actually made was rejected by the CBI as too cumbersome. Eventually, it was agreed that companies taking out licences would carry out an "information audit" once a year, the principal component of which will be a list of periodicals taken by the company. This will give an indication of the range of publications from which copies

could have been taken.

Licencees will also have to complete an annual return, the contents of which were not agreed by the taskforce. The CLA acknowledged that information audits of companies without a formal library or central information centre were impractical. This is likely to be taken into account when deciding what information should be included in the annual return.

The issue of confidentiality of information gained through the audit was also of concern to the CBI. If, for example, information about the type of material being copied by a pharmaceutical company fell into the hands of a rival it might provide invaluable information about lines of research being pursued. But the CLA has assured the CBI that the confidentiality of any information it requests through the audit will be guaranteed.

Will industry embrace the CLA's licence scheme? A great deal may depend on the extent to which companies feel they need to be licensed. Many of them believe their current copying activities are permissible as "fair dealing" under the terms of the 1988 Copyright, Designs and Patents Act. Fair dealing is not defined by the act but is restricted to certain purposes (for example, single copies for research and private study by individuals), and it must be fair both to the user and to the copyright owner.

Mr Hadley says fair dealing provides industry with "a convenient excuse to justify what currently happens". But multiple copying is unlikely to qualify as fair dealing, he says, and there is some doubt as to what extent routine single copying by individuals in businesses is likely to pass as fair dealing.

If industry continues to assert that it is, the issue may have to be tested in the courts. He adds a recent landmark decision in the US involving Texaco found routine single copying by individuals in businesses was not "fair use" primarily because the copies were made in furtherance of Texaco's commercial purposes and the copying was not fair to publishers as it deprived them of subscription income. Lawyers predict the English courts will adopt a similar line.

But short of legal action, the success of the licence scheme may depend on how successful the CLA is at selling it to businesses. The sales pitch will be concentrated on the heaviest copiers, as well as to law firms, which, if persuaded of the scheme's merits, are likely to encourage their corporate clients to become licensed. "We won't neglect the publishing industry either," says Mr Edward Barrow, the CLA's licensing officer. "If it's going to work, our clients have to be seen to be taking the medicine too."

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| Bread: white loaf 1kg           | £0.71          | £1.50                | £1.52               | £1.44                      |
| Breakfast cereal 500g           | £1.03          | £1.78                | £2.77               | £1.46                      |
| Red Wine (1.25 litres)          | £4.27          | £3.65                | -                   | £5.99                      |
| Domestic help: part-time 1 hour | £4.27          | £5.26                | £3.03               | £6.42                      |
| Petrol: 1 litre                 | £0.50          | £0.53                | £0.10               | £0.21                      |
| Restaurant dinner (1 person)    | £20.19         | £15.71               | £16.21              | £16.80                     |

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## PEOPLE Hay Davison's week for chairmanships

Ian Hay Davison, chairman of Storehouse and former chief executive of Lloyd's, is this week picking up two widely contrasting non-executive chairmanships, that of McDonnell Douglas Information Systems, and, as expected, of Newspaper Publishing, publishers of The Independent newspaper.

Davison, 61, who admits he has in the past too often been associated with "disasters" - Lloyd's, which was "a hefty struggle" and Storehouse which was in trouble when he took it on - says he is attracted by MDIS as a good-looking little company that is young and growing.

He points out that he has the

advantage of a computer background - his first job with Arthur Andersen having been as the firm's "computer expert".

MDIS was formed in a management buyout from the US aerospace group earlier this year.

Hay Davison says the company hopes to go public, though not before next year at the earliest.

Hay Davison is keen to stress how "sensitive" he is to the possible charge of accepting too many non-executive directorships - he is on the board of Chloride, CIBA-Geigy and Cadbury Schweppes - and claims, as a consequence, to have turned down several



other offers to make time to do the MDIS job.

He predicts an announcement about his chairmanship of The Independent, where he has been a non-executive director since its inception, at a board meeting on Thursday.

He replaces Sir Ralf Dahrendorf, who recently resigned partly because he opposed plans to buy The Observer, but also because of disagreements about the management style of Andreas Whittam Smith, who combines the role of editor and chief executive.

Hay Davison claims to have been in favour of The Observer acquisition.

"It would have been very helpful", he says. See Observer

## Golden days at Vauxhall as appointment raises status

Charles Golden, treasurer of General Motors since 1989, will bring an enhanced status to Vauxhall, the group's UK subsidiary, when he takes over as chairman and managing director on June 1.

Golden was appointed a vice-president of GM, the world's largest vehicle maker, in November last year. He will be the first GM vice-president to head Vauxhall for a decade.

After many years of losses, Vauxhall turned the corner in the latter 1980s and last year achieved a record operating profit, despite the recession in the UK new vehicle market.

Vauxhall has become one of GM's main profit centres, giving it an added status in a corporation that has been suffering record losses in North America. The UK has also been attracting GM investment and is becoming an important source for components purchasing for GM's operations in continental Europe.

As GM treasurer in New

York, Golden, 46, appears to have been on the fast track at GM.

Of the five key executives at the top of GM today, four are graduates of the treasurer's office, including Louis Hughes, president of GM Europe, based in Zurich. As executive vice-president responsible for all of GM's international operations, Hughes is now Golden's immediate boss.

Golden began his General Motors career in 1970 in the treasurer's office where his responsibilities included overseas financial analysis.

He later had various financial assignments there, at GM's headquarters in Detroit, as well as at the former GM assembly and Fisher body divisions, before returning to New York as assistant treasurer in 1984.

With the Vauxhall appointment, Golden is being given his first operational experience overseas, usually a precursor to bigger things at GM.

## Late return to first love

A B "Sandy" Marshall, 68, a former chief executive of P & O, is one of the great survivors of Britain's declining shipping industry. Hence, he should have little difficulty stepping in to the number two slot at the Chamber of Shipping, caused by Les Atkinson's sudden departure for Singapore.

Marshall takes over as vice-president of the Chamber of Shipping at the end of the month from Atkinson, the chairman of BP Shipping, who has been promoted to head of BP's Far East operations. The latter's move to Singapore, which follows a management reshuffle at BP, left the chamber with a problem of finding a well-known industry figure willing to take on the mantle of president from the current incumbent, Edmund Vestey.

Traditionally, the president of the chamber, which represents the owners of Britain's 12m dwt shipping fleet, serves a one-year term and his successor is the vice-president. Marshall worked for



P & O for 32 years before losing his job as chief executive after a boardroom disagreement over P & O's strategy for survival. He became chairman of Bestobell, Commercial Union and vice-chairman of Boots. But he kept some link to the sea through chairmanship of The Mearns Company.

His "first love" has always been the sea and he is looking forward to his new role.

## Insurance moves

Laurence Smith, formerly marketing services director of the pensions and managed funds subsidiary, has been appointed group marketing manager at LONDON AND MANCHESTER GROUP.

Alan Fleming, a director of ICI's in-house Insurance Group, is being seconded for two years to be executive director of AIRMIC, the Association

of Insurance and Risk Managers in Industry and Commerce; his appointment follows the retirement of Roger Miller.

Lorraine Adam has been appointed a director of SPRECKLEY VILLERS HUNT, the managing agents for Lloyd's Syndicate 1007.

Terry Taunton has been appointed executive chairman of JAMES HUNT DIX (INSURANCE) on the retirement of Gilbert Dix.

Ted Baillie has been appointed md, David Hall director of sales and marketing, Philip Kennedy director of product development, and Mike Rush director of operations, of MINET SELECT.

Anthony Fortescue is appointed chairman of BOWRING Marine, which amalgamates Bowring Marine & Energy, Bowring Marine Reinsurance Brokers (London) and the marine business of Carpenter

Bowring Christopher Keville, past joint chief executive of Bowring Aviation, is appointed chief executive; Roger Tyndall becomes chief executive of its marine & energy insurance division, and Christopher Keville also chief executive of its reinsurance division.

Robert Richards has been appointed to the board of LIVERPOOL VICTORIA FRIENDLY SOCIETY; Ken Wilkinson.



ARTS

Summer festival time has arrived in earnest and our critics report on various weekend activities in Bath, Brighton and London

# Holloway's Fantasies

Two anniversaries, of Grieg at 150 and Robin Holloway at 50, provide the focal points for this year's Bath Festival, which opened on Friday. The Grieg celebration ranges widely across the piano works, chamber music and songs, as well as generating its own secondary theme in the music of Schumann, such a potent influence on the young Norwegian and vitally important to Holloway's creative make-up too.

Holloway's fifth year has already provided the opportunity to revive two of his most fascinating scores of the 1970s - the BBC Philharmonic included movements from the deliciously extravagant *Domination of Black* in its Cambridge invitation concert earlier this year, and last month at the Festival Hall the BBC Symphony Orchestra played

again Holloway's Second Concerto for Orchestra, perhaps his finest work to date. Though there is one brand-new piece, a Partita for solo horn, in the Bath celebration it ranges back nicely across two decades of Holloway's output, inevitably concentrating on the smaller-scale pieces but nevertheless promising a nicely rounded portrait of one of Britain's most intriguing and often frustrating composers.

The Nash Ensemble's programme on Saturday evening included two Holloway works. The Concertino No. 5, *Summer Music*, from 1981 still seems to me a peripheral piece, but the 1971 Fantasy Pieces Op 16 again emerged as powerful and disconcerting, one of the scores

The Nash performances directed by Martyn Brabbins were spry and incisive. They also included Oliver Knussen's *Songs without Words*, four portions of lyrical concentrate first heard in New York and Aldeburgh last year, and the premiere of a horn trio by Mark-Anthony Turnage, commissioned by the Bath Festival; *At Close of Day* is dedicated to Charles Groves. It is a lucid, uncomplicated piece: an expressive dialogue between violin and horn is joined by a halting, cut-off-filler piano line, worked to a weighty climax and allowed to trickle away again. The effect is direct and impressive.

Andrew Clements  
Bath Festival continues until June 8

# Moscow comes to Brighton

Moscow Chamber Opera's British debut this weekend has been a highlight of the Brighton Festival, its first two programmes confirming the company's reputation as a lively and versatile music-theatre group. Formed 21 years ago by the veteran producer Boris Pokrovsky, Moscow Chamber Opera has spent much of its working life in a suburban basement theatre, and its repertoire, which includes works frowned on by the former authorities, has enhanced its "underground" status.

It was neatly appropriate that the visit should have opened with a work full of old Russian religious symbolism, *The Rostov Mysteries*. A Nativity play framed by an allegorical episode and epilogue presenting the conflicting forces of Good and Evil, it was first performed in a Rostov seminary in 1902, and revived about 10 years ago. Friday's performance, in St Martin's Church given on a rough wooden platform stretching down the nave,

which brought the vivid spectacle close to the audience, Moscow Chamber Opera's singing-actors were wonderfully communicative in their varied roles, maintaining a well-blended ensemble without conductor or accompaniment. Among the many characterful performances Vsevolod Bolshakov's Astrologer, Marina Zhukova's Rachel and Alexey Mokhalov's chilling, blood-red Death were outstanding.

More conventional, though hardly familiar, territory was reached in Sunday's triple bill at the Roedean Theatre, which began with Shostakovich's tormented *The Gamblers*. This Gogol setting occupied the composer during 1942, but its anti-heroic story of a card sharper was perhaps too flippant for wartime Russia, and he abandoned it what remains of it lay unstaged until taken up by Pokrovsky in 1989.

The company revealed its thoroughly Russian approach to drama. This was satirised by overstatement, with emphasis less on singing or highly-produced staging than on expressive interaction between performers. Notable among these were Boris Tarkov in the central role of the gambler Kharyov, passionate in his aria addressed to a pack of marked cards; Nikolay Kurpa, who as Krugel disclosed a line in silly walks and trices; and as the servant Gavrushka Valery Belykh, whose gravelly bass was heard in a balalaika-contrived folk song. The score is brittle; Anatoly Levin, in the pit for the evening, conducted it capably.

# The gospel according to The Five Blind Boys

London Jazz Festival Free jazz audiences seem to have an air of a resigned purpose to them. In the bar beforehand, bearded men holding pint glasses greet one another grimly as though preparing psychologically for that parachute drop behind enemy lines or shooting of whitewater rapids which will inevitably claim a few of them. "Seen Bill?" "Nope. Saw him at Spontaneous Music Ensemble last month and haven't seen him since." They are survivors and they know they are all in it together at least until they go the way of all flesh - to Radio 2.

The body count from Saturday's free jazz ordeal at the Bloomsbury Theatre will reveal the diehard ranks to be thinned but no less resolute. An entire afternoon of London's most free spirits was capped by the appearance of the testing reeds of American Anthony Braxton - a mathematician, chess demon and musical experimentalist. Pursued by the staccato, attacking piano chords of Marilyn Crispell, Braxton darted from alto, soprano and soprano sax, clarinet, contrabass clarinet and flute, music charts from both musicians spilling to the floor around them.

It is said that Braxton often uses formulas and mathematical calculation to compose a framework for his challenging improvisation. That does not mean to say there are any obvious points of reference and this work, delivered without introduction or explanation (if there is any) tumbled out in a great snow storm of notes, up and down tempo. Musically, however, the performance was at the Talented Institute for the Blind by Clarence Fountain, who sings a sanctified bass, and on the road ever since, the Blind Boys' honeyed a cappella harmonies are a soothing secular balm. Joined by a rhythm section, elderly lead tenor Jimmy Carter, who at the climax of the show was lowered into the howling crowd by his minder, shares a similar bag to James Brown.

"We didn't come to England to find God," intoned Fountain, who like the other greying Boys was wearing a sharp double-breasted suit and shades. "We brought him with us." Their combination of belief, unashamed sentimentality and showmanship is irresistible and the congregation on Sunday succumbed entirely. The salutary advice of a country and western tinged "I'm not that way anymore", which concerned gambling and drinking, left bottom lips trembling while the blues shouting of "Brother Moses Smote the Water", had them dancing in the aisles. If Braxton seemed reminding of what music ought to be he should order a copy of the Boys live album *Deep River* (Elektra 7559 614-40).

Garry Booth

# The London Jazz festival ended with dancing in the aisles

as evocative as a book of logarithms. Abstract jazz, like all "modern" art, is not easy and perhaps all the more rewarding for that when it does actually move the emotions. The trouble with Braxton and Crispell's manic exchanges this night was that it was not involving, had no heart and did not swing.

# 'The Fairy Queen' in Covent Garden

So much amusement has been caused by the production of Mozart's masonic opera *The Magic Flute* in the Freemasons' Hall that people do not seem to have noticed how apposite are some of the other venues occupied by the BOC Covent Garden Festival. Ingenuity has certainly made the most of the available performing spaces.

In the very centre of the festival's catchment area lies a Wren masterpiece - St Paul's Church, with its rear porch (or is it the front?) facing directly on to the piazza. What better to feature there than the music of Purcell, Britain's leading Restoration composer? Ideally, one might have had some of the choral music, at present being recorded complete for the first time, but that looks as if it will have to wait for another year.

The work that was presented on Sunday was the semi-opera, *The Fairy Queen*. The Gabrieli Consort under Paul McCreesh performed it almost complete (a couple of numbers, including the Flute, were omitted, presumably on the grounds that they were added later). Some acting of a sort was invited, mostly in the lighter passages, but probably should not have been. Singers need a firm directorial hand if jockey ideas are not to get out of control.

As it was, the comic interludes rather took over and the atmosphere was of a more plebeian entertainment than usual, which may or may not be true to Purcell's day. The drunken post reeled in the aisles; Corydon and Mopsa camped up their duet something awful, although Mark le Brocq's impersonation of Benny Hill impersonating a suggestive blonde with pigtailed revealed hidden talents. McCreesh and his musicians supported them all with lively playing.

Richard Fairman



'The Cultivation of Lemons in Genoa'; an engraving after Guido Reni

# The 'culture of curiosity'

Cassiano dal Pozzo looked at the world "with the true eyes of a lynx". His biographer could hardly have chosen an epitaph that would have pleased Cassiano more. In an age distinguished by voraciously inquiring minds, Cassiano stands out as a man of boundless curiosity. Patron of Poussin, close friend and literary midwife to Galileo, correspondent of scholars and dilettantes throughout Europe, Cassiano is a figure who really repays discovery.

The *Paper Museum of Cassiano dal Pozzo (1558-1627)* at the British Museum does not quite measure up to the fascination of its subject. That would require an altogether more ambitious exhibition. To get the measure of Cassiano, you definitely need the catalogue (published by Olivetti 218.50). Cassiano and his circle stood at the centre of the scientific revolution. There was, of course, no sense of any tension between art and science, let alone of "two cultures". Cassiano, a lifelong bachelor, devoted himself to Art which led him to subjects as diverse as science, museology, collecting, geology, art-history, botany, architecture, archaeology, libraries, even sport.

Cassiano was born in Turin in 1558, but the family then moved to Pisa, a highly cultured city which was, of course, Galileo's home. After his father died, he established himself in Rome in the service of Cardinal Barberini. He lived with his younger brother, who helped him amass a great library and a collection which ranged from flamingoes to antiquities and Poussin's "Seven Sacraments". Many an aristocratic collector could boast a more impressive *Wunderkammer*. Cassiano was only ever comfortably off. But his interest in science was on an altogether more profound level than that of the

# Patricia Morison admires Cassiano dal Pozzo's Paper Museum

average collector. Like Galileo, he was elected to the select, and in some circles highly suspect, Academy of Lynxes, the ancestor of all modern scientific institutions. Whatever the subject at issue, nature, art or the manners and customs of antiquity, Cassiano held that exact visual records were vitally important. Aristotle's and Theophrastus's verbal descriptions were no longer adequate for people with inquiring minds.

Cassiano's interest in natural history is well represented, with two of the earliest microscopic studies ever made and indispensable guide to the ancient world. Artists were commissioned to copy objects such as mosaics, armour, reliefs, gems, statuary, inscriptions, and manuscripts. His main interest was not so much the aesthetic quality of the object copied, but what it showed about the world of the ancients.

# INTERNATIONAL ARTS GUIDE

## AMSTERDAM

Concertgebouw Tomorrow: Heinrich Schiff, Ton Koopman and Jaap ter Linden play chamber music by Vivaldi, Geminiani and Bach. Thurs: Frans Bruggen conducts Orchestra of the 18th Century in works by Haydn, Mozart and Schubert. Sat: Edita Gruberova sings recital (24-hour information service 875 4411, ticket reservations 871 8345). Beurs van Berlage Tomorrow and Thurs: Jean Forneret conducts Netherlands Philharmonic Orchestra in works by Massenet, Ravel, Debussy and Plemé. Fri, next Tues: Hartmut Haenchen conducts Netherlands Chamber Orchestra in Pleyel, Dussek and Haydn (627 0468). Muziektheater Thurs and Sat: Nikolaus Harnoncourt conducts final performances of Jürgen Fimm's new production of *Le nozze di Figaro*, with Olf Bär, Charlotte Margiono, Alastair Miles and Isabelle Ray. Next Tues: Simon Rattle conducts first night of Peter Sellars' new staging of *Pelléas et Mélisande*.

flagship production of this year's Holland Festival (625 5455)

## ANTWERP

The main event in this week's Antwerp 93 programme is *Missa e Combattimento*, a new music theatre piece devised by Astrid Verheest with music by Monteverdi and Judith Weir, which can be seen at deSingel tomorrow. Fri and Sun: Michael Finnisley conducts orchestral works by himself and Xenakis tonight at deSingel, and there is a final showing at Bourla tomorrow of Walter Hus' new Orpheus opera. The sacred music programme at St Augustinus includes a performance on Sat of a reconstructed version of the *Matthew Passion* by a forgotten Flemish master, Johannes de Nasco, and an early music programme on Sun with Orlando Consort (226 9300).

## THE HAGUE

Dr Anton Philipszaal Fri: Gerard Oskamp conducts Royal Flanders Philharmonic Orchestra in works by Nielsen, Grieg and Sibelius, with piano soloist Niek van Oosterum. Sat: Oliver Knussen conducts Hague Philharmonic in works by Birtwistle, Lutoslawski and others, with piano soloist Paul Crossley (360 9810).

## GENEVA

Jesus Lopez-Cobos conducts Orchestre de la Suisse Romande at Victoria Hall tomorrow and Fri in a programme including Mahler's *Rückert-Lieder* (Doris Sofies) and Schoenberg's orchestral

arrangement of Brahms' Piano Quartet (311 2511).

Théâtre de Carouge has Marivaux's *The Game of Love and Chance*, daily except Mon till June 6 (343 4343). Coline Serreau's modern philosophical fable *Quisquid est*, directed by Bruno Besson, is in its final week at the Comédie (320 5007).

## SALZBURG

For the second year in succession, the Chicago Symphony Orchestra is to give three Whit weekend concerts in the Groesse Festspielhaus. The first two programmes, conducted by Georg Solti on Saturday and Daniel Barenboim on Sunday, pair symphonies by Haydn and Bruckner. Monday's programme, conducted by Bruckner, is devoted to Bruckner's Fifth (862-846500).

## UTRECHT

Vredenburg Tonight: Dmitri Farkshin, accompanied by Mita Belevskaya, plays cello sonatas by Franck, Faure and Debussy. Tomorrow: Frans Bruggen conducts Orchestra of the 18th Century in works by Haydn, Mozart and Schubert. Fri: Heinrich Schiff conducts Radio Chamber Orchestra in works by Rands, Schwaner, Barber and Copland. Sat: Rudolf Barshai conducts Radio Symphony Orchestra in works by Glinka, Tchaikovsky and Musorgsky, with piano soloist Plan de Wael. Sun: afternoon: Emma Kirkby sings recital. Sun evening: Rudolf Werthen conducts I Flaminio in works by Tchaikovsky, CPE Bach, Britten

and Dvorak, with cello soloist Quirine Viersen (314544).

## VIENNA

VIENNA FESTIVAL This week's programme is dominated by two new Aeschyle productions - the Euripides tragedy and the Gluck opera. The play, directed by Frank Castorf, opens tomorrow at Messeplatz and runs daily till Sat. Gluck's *Aeschylus*, sung in French, is conducted by Thomas Hengelbrock and staged by Achim Freyer, with a cast led by Anna Caterina Antonacci. It opens at Theater an der Wien on Thu, with four further performances till June 5. Pina Bausch and her Tanztheater Wuppertal bring Bausch's dance work *Nelken* to the Volkstheater on Fri, Sat and Sun. The festival runs till June 20 (586 1678).

## OTHER EVENTS

Staatstheater Tonight and Fri: Queen of Spades with Maria Guleghina, Sergei Larin and Vladimir Chernov. Tomorrow and Sun: Don Giovanni. Thurs and next Mon: Selj Ozawa conducts Falstaff with Benjamin Luxon and Nancy Gustafson. Sat: Aida with Julia Varady (51444 2955). Konzerthaus Tonight: Oleg Maisenberg piano recital. Tomorrow: Hugh Wolff conducts St Paul Chamber Orchestra in works by Ravel, Shostakovich, Bartok and Haydn, with piano soloist Emanuel Ax. Thurs and Fri: Peter Eötvös conducts Vienna Symphony Orchestra and Arnold Schoenberg Chorus in works by Schoenberg and Bartok. Thurs (Mozart-Saal): Anthony Rolfe-Johnson song recital. Next Mon and Tues: Franz

Welter-Möst conducts London Philharmonic in Bruckner's Fifth Symphony (712 1211).

Musikverein Tomorrow and Fri: Sylvia McNair song recital. Thurs: Oleg Maisenberg joins Ensemble Wien in Schubert's Trout Quintet (505 8190). Aladdintheater Tomorrow, Fri, Sat, Sun: new production of *Princelino's Six Characters in Search of an Author*, directed by Cesare Lievi (51444 2959). Kammeroper Fri: first night of new production of *The Bartered Bride* (513 6072).

## WASHINGTON

Kennedy Center Broadway star Gregory Hines is joined by Savion Glover in a show of song and dance tonight. National Symphony Orchestra gives Pops concerts Thurs, Fri and Sat. The theatre programme includes *Osama*, David Mamet's powerful drama about political correctness and sexual harassment, and the musical *Gypsies* and *Dolls*. June 1-8: Jeffrey Bell (202-467 4600). BALTIMORE SYMPHONY ORCHESTRA David Zinman conducts Bartok's Second Violin Concerto (Pinchas Zukerman) and Elgar's Second Symphony on Thurs, Fri and Sat at Joseph Meyerhoff Symphony Hall (410-783 8000). THEATRE The Skin of Our Teeth: Thornton Wilder's tribute to the destructibility of the human spirit as seen through the eyes of the Antrobus family. Till June 13 (Arena's Fichtelberg Stage 202-468 3300).

Arms and the Man: Shaw's comedy of love and war in the Balkans. Till June 8 (Center Stage's Pearstone Theater 410-685 3200).

Five Guys Named Moe: a celebration of Louis Jordan's songs of the 1940s. Till June 20 (Ford's Theater 202-347 4833). Shirley Valentine: Willy Russell's one-woman comedy about a mother with dreams that take her on a courageous voyage. Till June 6 (Church Street Theater 703-848 2532). JAZZ/CABARET Blues Alley Jazz Supperclub Thurs, Fri: Chuck Brown and Eva Cassidy, jazz and blues. Sat, Sun: Pieces of a Dream, contemporary jazz (1073 Wisconsin Ave, in the alley, 202-337 4141). Filene Center at Wolf Trap Sat: Dwight Yoakam and Suzy Bogguss, country music. Sun afternoon and evening: Irish folk festival (703-218 5500).

## ZURICH

Opernhaus Tonight and Sat: La bohème with Mara Zampieri, Vincenzo La Scala and Wolfgang Brendel. Tomorrow and next Mon: Adam Fischer conducts Nikolaus Lehnhoff's new production of Don Carlo, with Francisco Araiza, Ruggero Raimondi and Gabriela Benackova. Thurs: choreographies by Milosky, Biserat, Uotinen and Saint-Léon. Fri: Die Zauberflöte (262 0309). Tonhalle Tomorrow: Arnd Wehrkamp conducts Tonhalle Orchestra in works by Richard Strauss and Rakhmaninov, with piano soloist Tomas Krämreiter (261 1600).

## ARTS GUIDE

Monday: Berlin, New York and Paris. Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington. Wednesday: France, Germany, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide. European Cable and Satellite Business TV (All times are Central European Time) MONDAY TO THURSDAY Super Channel: European Business Today 0730; 2230 Monday Super Channel: West of Moscow 1230. Super Channel: Financial Times Reports 0630. Wednesday Super Channel: Financial Times Reports 2130. Thursday Sky News: Financial Times Reports 2030; 0130. Friday Super Channel: European Business Today 0730; 2230. Sky News: Financial Times Reports 0530. Saturday Super Channel: Financial Times Reports 0630. Sky News: West of Moscow 1130; 2230. Sunday Super Channel: West of Moscow 1830. Super Channel: Financial Times Reports 1800. Sky News: West of Moscow 0230; 0530. Sky News: Financial Times Reports 1330; 2030.



Madam Yang, the Beijing newspaper vendor, had no doubt what she was selling. "News," she declared. "That's what sells. You've got to have hard news."

"What I'd like to tell newspaper editors," she added, speaking near her stand at the entrance to a Beijing subway, "is to get more original and bizarre stories in their papers, make them more entertaining. You may frown on it, but that's what makes a paper sell."

Madam Yang could have been repeating the gospel according to Mr Rupert Murdoch, the publishing tycoon who visited Beijing recently, in his efforts to extend his empire to the Chinese mainland. But her attitude and her enterprise also reflect the enormous changes that have overtaken China's press in the past few years.

Take Madam Yang herself. Her small stand, which turns a tidy profit each month, is a relatively new phenomenon. Back in the days when choice of newspapers for Beijing's residents was restricted to a few, grey Communist party-controlled propaganda sheets, such as the People's Daily, distributed mostly by subscription, there was no need for newspaper vendors.

At the People's Daily itself, located in a sprawling walled compound in a Beijing suburb, mention of the fate that befell Pravda, its Soviet equivalent, brings a worried response. Pravda is barely surviving with a circulation of 500,000, down from 10m in its heyday.

The Daily's circulation has also slumped, to 3m from a high of 6m in the 1970s. Mr Wu Changsheng, a senior People's Daily editor, makes no attempt to disguise his concerns. "In the past," he says, "we didn't have any competition, therefore we didn't have to worry much about attracting readers. Now, our task is to make the paper more attractive and appealing without losing authority."

For much of the past four decades since the Communists came to power in 1949, numbers of newspapers had been limited. There were as few as 100 papers in the country, before liberalisation of the market in the 1980s prompted a proliferation of new titles. By the end of last year, 1,835 newspapers were being published, with combined annual sales of about 25.3bn copies. Circulation grew by about 20 per cent last year over the year before.

## Beijing news shocker

The Chinese press is undergoing radical change, says Tony Walker



Mr Shi Feng, an official of China's Press and Publishing Administration, which is responsible for licensing new publications, says there is enormous continuing demand for licences, both for newspapers and magazines including business publications. The surge in magazine titles has perhaps been even more notable than for newspapers. Some 6,400 magazines, the bulk of them technical, are published in China with a combined circulation of 2.3bn.

Apart from the big number of periodicals coming on to the market, papers themselves are also getting bigger - from a typical four pages to as many as 12. Papers are also publishing more supplements and weekend special editions. In short, Chinese publications are becoming more commercial.

Just how commercial became apparent the other day when the official Shanghai Wenhui Daily covered its entire front page with a large advertisement for air conditioners. This

prompted an outcry among readers, and a worried reaction from competitors. But Wenhui business managers were unperturbed since, as they explained, the paper is now obliged to make its own way in China's market economy. China's establishment press and its problems were the subject of a somewhat plaintive article in a recent issue of Outlook, a magazine published by the official New China News Agency, whose reporters had conducted an investigation into the decline of the "big papers".

These inquiries yielded some revealing comments, including those of an anonymous People's Daily editor who said with surprising candour: "The news that [People's Daily] publishes is not new, which is not only insulting to the word 'news', but is also deceiving to the readers."

The magazine also related several colourful anecdotes to reinforce the point. In one, an editor of a "establishment"

paper, such as the People's Daily, returning home one night and finding on the dinner table the same old fare, asked his wife why? To which, she replied: "I learn it from your newspaper. Don't you serve the same thing every day?"

It is the new papers and magazines which have departed from the "standard" fare that are, not surprisingly, doing best. These publications have been building circulation rapidly by printing titillating and semi-sensational reports on subjects ranging from the private lives of film stars and singers to fairly explicit taboos issues as homosexuality.

While editors are prepared to countenance fairly racy stories these days, such daring does not extend to political stories. All practice a form of self-censorship that would not be required of an editor in the west, although Chinese editors say that circumstances are becoming more liberal again after the crackdown that followed the 1989 massacre of pro-democracy activists in Beijing.

"The political atmosphere is much better now, though it's not perfect," said Mr Li of the China Youth Daily, one of the country's "big papers". "There's always room to improve. But the trend is getting better and easier."

That may be so, but the battle for real press freedom is only really just beginning, and there is no indication that the Communist party might allow real criticism of the political system and its leaders. Nevertheless, the Chinese word, *wenmingda*, meaning transparency in the media and in government, is heard more frequently these days; and some of the more daring publishers and editors are openly challenging the status quo. Thus, the publisher of Shanghai's Liberation Daily, probably the country's most liberal publication, recently argued strongly that all Chinese have a right to know - a fairly radical concept by local standards.

"If we really want to become an 'open China' in the eyes of the world, we must first open up the press. Journalists have the right to report, and the public has the right to know," he wrote.

But in a country where the media has long been the exclusive preserve of the Communist party the notion of the "right to know" smacks of a dangerous virus, and one that party officials are coming to terms with only reluctantly.



Britain's new national lottery, which could be in operation late next year, is expected by its supporters to become a gigantic new business, benefiting many dozens of suppliers, with a turnover that could top \$5bn. The devil on my shoulder tells me it could be as exciting, and intellectually satisfying, as direct mail, on which I am an expert. Bidders for the principal contract, says one consultant's report, are offered the opportunity to create a new FT 100 company.

That is only half of it. The lottery will extrude a regular supply of instant millionaires, not to mention excited winners of lesser amounts, the more innocent of whom will doubtless be seen as ripe pickings for ventures from the financial services industry. It will pay taxes, initially a come-on 12 per cent, to the Treasury. The remaining crumbs - at worst under a fifth of turnover and at best close to a third - will be divided among five "good" causes, one of which is the "millennium fund" over whose celebrations the prime minister hopes to preside. He should be so lucky.

Knowing all this wealth and power to be at stake, you will not be surprised to learn that there has been a certain amount of lobbying on behalf of the three principal interest groups involved: the football pools promoters, the charities and potential players in the new market. Their efforts are currently focused on the Lords, where the bill will be debated on Thursday.

Governed, as ever, by the angel on my other shoulder, my sympathies are with the charities. It has to be said at once that if we soft-hearts have

our way the potential revenue from the lottery business will be cut by 30 to 40 per cent, or more, the start-up will be slower, and the whole enterprise might crumble. What a calamity! Let me explain. The establishment of lotteries is a rapidly expanding global business. It should be categorised under electronics, telecommunications and computer services. There are two main types of game. The big, expensive one, entailing huge set-up costs, is lotto. You buy a ticket regularly and in advance. The prize is drawn on an evening TV show once or twice a week.

The relatively cheap and cheerful alternative is the instant scratch-off. You buy a card on impulse - while shopping, say - and the number revealed by scratching the card or running it across an electronic reader tells you at once whether you have won. Charities, whose tombola prizes are immediate, fear the competition. A report on the national lottery prepared for the government makes it plain that the instant gratification business is a key element in the cash flow projections for the entire enterprise. I hope their lordships are not put off by this argument.

A second threat to Mr John Major's dream comes from the pools promoters. The government line is that football gambling is largely undertaken by men of a certain earnings group. Lotto on TV, or scratch-cards bought at the check-out counter, will attract women, the young, and, if the games are sold by branch post offices, pensioners and social security beneficiaries. This has not reassured the pools companies.

During the passage of the bill through the Commons there were asked for five concessions. First, a reduction in taxation to the same level as that proposed for the national lottery. Nice try. Second, removal of the requirement that "skill and judgement" be required of punters. Another failed attempt. The pools promoters did better on the next three. They won the right to sell their tickets through any outlets, as opposed to their existing practice of using door-to-door agents or direct mail. The lottery, on the other hand, is to be extended from betting shops and direct sales to households.

The pools asked for the right to advertise on TV, a key to monopoly power at present available to the lottery alone. So far all they have been offered is a provision allowing them to sponsor TV programmes, excluding the football results. Finally, the "rollover" of

jackpots, which in the US has resulted in prizes as high as \$100m, but which in the UK is likely to be at lower levels, will be permitted for the pools and the lottery on similar terms. These two concessions have been offered as amendments to be tabled in the Lords; we have yet to see the colour of the government's money.

What the third group, those whose snouts are in sniffing distance of this bountiful new trough, is saying is that if the charities and the pools both have their way there will not be enough left for the putative Lords of Lotto. Then sports, the arts, the national heritage and the other potential beneficiaries of this new business would be that much the poorer. Even worse, Sains-

bury, W.H. Smith, Granada, Forte, Texas Home Stores and the like would be deprived of the chance to earn a 5 to 7 per cent rake-off plus additional walk-through trade expected by the chosen retail outlets.

It all depends. As to the size of the trough, foreign experience is mixed. *France* de Jeux sold \$3.7bn worth of tickets last year, following the introduction of a multiple instant games strategy; *CONI* in Italy competes with regional lotteries and brought in only \$1.4bn. Residents of Massachusetts spend an average of \$200 each a year on lottery tickets; the New Zealand equivalent is \$56. Australians spend 8.4 per cent of their discretionary income on their Tattersall's; Westdeutsche Lotteriede brings in only 5.1 per cent from the mad money available to each inhabitant of its area.

These figures are from GAH Consultants, 4-6 Arne Street, WC2E, from whom you can buy the whole book for £85. GAH, which advised the government, believes that the UK national lottery has the potential to become the largest in the world, with annual sales of "anywhere between \$2.5bn and \$6bn", albeit under \$2bn without instant games.

We come at last to the beneficiaries. Let us be generous. Assume \$4bn to be the lottery income in a good year, with half going to prizes, 15 per cent to the operating company, and 12 per cent in tax.

That leaves \$900,000 for the five causes. Dream a little. Call it a billion. Now ask yourself the following two questions: will the Treasury maintain government funding for those who get shares of this billion, or will it be cut? Will the 12 per cent tax take be kept at that low level or will it be increased? You know the answers. So do I. There is no need to send them in on a postcard.

Joe Rogaly

## The new Lords of Lotto

A UK national lottery could become the world's largest, with annual sales of between £2.5bn and £6bn

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Most US companies in retaliatory net

From Mr L Blumenthal

Sir, Mr John Wosner's letter (May 20) suggesting that UK laws designed to retaliate against US companies would have a limited effect can be of little comfort to most US-based companies with UK subsidiaries.

It is true that if such companies (a) do not have their main place of business in a unitary tax state such as California, or (b) are not subject to tax by such a state, or (c) have less than 7.5 per cent of their US payroll, property or sales derived from such a state, then they cannot be affected by the

threatened retaliation.

But given the wealth of California there must be few US-based companies that are not potentially affected by the legislation. How many of them would be affected would depend on the form of implementation since the making of a Treasury order to enforce the provisions would not only give the effective starting date, but can also say which of the tests listed above would be applied.

L Blumenthal, director of UK tax, Mobil UK Tax Group, Mobil Court, 3 Clements Inn, London WC2

### High fares for high speed

From Mr J W Smith

Sir, Your article, "Mitterrand mocks UK as new TGV link opens" (May 18), states that French rail users are complaining about the higher fares they will have to pay to help recoup the cost of building the new Paris to Lille line.

The range of fares quoted in the article is just about the same as we currently pay in Britain for the comparable length of journey between London and Bristol, without BR having made comparable outlays on new trackwork and rolling stock. What prospect is there of high-speed rail links in Britain at fares we can afford?

J W Smith, 5, Old Deer Park Gardens, Richmond, Surrey TW9 2TN

### Time to mend their ways

From D Ellis

Sir, The culture of late payments has been sown, fertilised and further grown by large companies. They must be made to mend their ways. Until they do the poor small business does not even receive the cash to pay its own bills. It is, therefore, no wonder that research appears to support the contention that small businesses are as dilatory as the large ones ("UK's late payment culture attacked", May 10). When will headline writers, authors of financial arguments and others look at it from this angle?

D Ellis, 25 Kingsley Park Grove, Sheffield S11 9HL

### Closing Tec's would be a political nonsense

From Mr Edward Roberts

Sir, No doubt Mr Ansel Harris finds it enjoyable diverting to write (Letters, May 18), as he so often does, suggesting Training and Enterprise Councils should be closed down, but that is a practical, as well as a political, nonsense. If he really cares about training and enterprise he should make constructive and practical suggestions on how Tec's can deliver even more than they do already.

In the meantime a few facts. Tec's are making real progress in training. Forty-three per cent of adults leaving employment training last July were qualified, compared with 36 per cent the year before under schemes run by the employment department. In September 1992, 32,000 young people awaited training under the youth training system. In April 1993 this number had been reduced to 5,500.

In a typical year there are some 40,000 business start-ups

under Tec support. Some 85 per cent of these are still successfully trading and growing after one year of operation, making a significant contribution to employment and economic development. All Tec's have economic regeneration as the cornerstones of their strategies, based on investment in the business community and inward investment. Raising skills of the workforce through training is fundamental to this.

Our targets are ambitious and rightly so if we are to achieve international competitiveness. Tec's are here to stay. And with their partners in education, local authorities, chambers of commerce, and enterprise agencies they are tackling an immense task with increasing success.

Edward Roberts, chairman and chief executive, Heath Springs, chairman, Group of Ten Tec Chairmen, Redditch, Worcs B92 6AY

### Kicked into public arena

From Mr Malcolm Edwards

Sir, In "Spurs forced to issue statement on profits" (May 18), your correspondent suggested that "Mr Venables' methods of giving out price-sensitive information jars with stock exchange rules about making such announcements to the market as a whole".

He did speak without board approval. Nevertheless, his method of announcement outside market hours on live tele-

vision during the FA cup build-up could not have been more equitable. Small investors without ready access to star analysts would be less disadvantaged if more company news was released on Saturday TV.

Malcolm Edwards, managing director, Delphi Risk Management, 3 Hyde Park Steps, St George's Fields, London W2 3YQ

### Cable TV development restrained by old technology

From Mr Tony Young

Sir, I noted with interest your editorial comments regarding a compromise which would allow BT to overcome the asymmetry rule, which remains an extraordinary restraint on trade.

You are correct in stating (Leading article: "Cable television", May 19) that information super-highways should be built because of genuine consumer demand, although it should be borne in mind that, as a rule, telecommunications applications are developed only when a network infrastructure exists to support them - a classic chicken and egg situation - of which ISDN is a prime example. The trade and industry select committee should bear this in mind if and when it launches an inquiry.

If BT is seriously expected to compete as a successful player in the US market, then the Department of Trade and Industry will have to lift the

restrictions that prevent BT from making more efficient use of its existing network. The asymmetry rule preventing BT and Mercury from using its network for broadcast entertainment retards the introduction of fibre towards the house and office, and the development of new services.

My union has been at the forefront of the argument for a national broadband grid or "network of the future". However, this requires a regulatory regime that encourages modernisation of BT's local loop by making it commercially viable - and the obvious way to do this is to relax the asymmetry rule. As John Harper, former managing director of BT, argues, the regulatory regime and industry structure in Britain acts "as a drag rather than a help to the early stages of exploitation and application of broadband technology".

Few of the UK cable companies are laying fibre to the

home. Instead, we are experiencing a proliferation of coaxial and copper cable - leaving us with the prospect of two outmoded local loops.

It is essential that, if the government wants to modernise the UK's telecoms networks in the interest of residential customers, business customers and international competitiveness, removal of the asymmetry rule must be a priority.

Tony Young, general secretary, National Communications Union, Greystoke House, 150 Brunswick Road, Ealing, London W5 1AW

From Mr Derek A Coggrave

Sir, I was pleased to read your comments ("Cable telecoms") and the sensible suggestions for overcoming the restrictions placed on BT.

My telephone is connected to the BT network via copper wires. This is, as you have

pointed out, obsolete technology and BT is prevented by government regulations from replacing this metal based network by fibre optics for its domestic customers. Thus, we are deprived of services which would otherwise be available.

The fact that BT has this Luddite ball and chain clamped round its metaphorical leg only illustrates how daft British governments can get. These restrictions not only hold back the technical development of BT, but also manufacturing companies supplying equipment to BT.

Once installed, fibre networks will be able to provide a great variety of information for the home consumer. However, to be successful this will have to be cheap, probably at a price comparable to the cost of television film channels. It will work if the price is right. Derek A Coggrave, 23 Wentworth Park, Finchley, London N3 1YE

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مكازم الأخبار



# FINANCIAL TIMES

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Tuesday May 25 1993

## Complacency on the ERM

JUDGED BY the lessons they draw from the turmoil in the exchange rate mechanism, the principal monetary officials of the European Community have, like the Bourbons, forgotten nothing and learned nothing. This is a pity. "The Community," asserts the EC's monetary committee, "needs plain speaking, confrontation on policy issues and critical probing of forecasts and policy intentions." But it also needs these virtues when analysing the EC-wide policy system, like the ERM. Unfortunately, neither its report nor that from the committee of central bankers display them.

It would help if the authors showed some appreciation of the scale of the disaster that has befallen the EC. The Monetary Committee is correct in its castigation of policy failures in member states. But the rigid application of the ERM itself spread the consequences of German unification to the rest of the EC, so creating today's damaging, but largely unnecessary, EC-wide recession. Subsequent turmoil in the ERM damaged both the credibility of individual governments and relations among them, in the process transferring huge sums from taxpayers to speculators.

If the reports had confronted this record head on, they might have been less complacent. For their conclusion is simply that "current institutional and technical arrangements in the EMS remain on the whole appropriate".

### Many recommendations

The principal recommendations from the monetary committee are "the adoption of stability-oriented economic policies in all participating countries"; "improved co-ordination of economic policies"; orientation of monetary policy towards price stability; sound public finances; asymmetric policy action, "in the sense that all countries are obliged to pursue stability-oriented policies"; and appropriate responses to inflationary divergence, including "exchange rate changes... to offset, at least partly, the effects on competitiveness".

These recommendations are to be made effective by frank discussion of the economic position of member states and "action, when necessary, well in advance, of the

## Spain's new challenges

WHOEVER FORMS Spain's government after the general election on June 8 will need to face up to uncomfortable realities about the country's economic structure and its place in Europe. Mr Felipe González's Socialist government has fervently desired full Spanish participation in greater European economic integration. Yet he has failed to put into effect the measures needed to ensure this aim. The time of reckoning has arrived.

Mr González, in power since 1982, starts the election campaign more or less level pegging in the polls against his conservative opponent, the untried Mr José María Aznar. Given that the prime minister presides over an economy in recession and a party weakened by factionalism and allegations of corruption, this is not a bad position for him. The country's budget deficit and large current account deficit, however, along with the latest official unemployment rate of 21.7 per cent, underscore that Mr González has been unable to make use of previous years of buoyancy in the Spanish economy to solve some basic economic problems.

Mr Aznar, for his part, has succeeded in modernising his Partido Popular and moving it towards the political centre. But the lack of detail in Mr Aznar's prescriptions has added to the difficulty of seeing his party as a credible alternative to the Socialists.

### Peseta devaluation

With the left in disarray in every large European country, it is not surprising that Mr González has lost some of his panache. Most strikingly, the gap between the peseta and the deutsche mark illustrates the gap between the prime minister's rhetoric and the real world outside the Moncloa Palace.

Spain has to come to terms not only with the short-term problems engendered by the European slowdown, but also with the longer term challenge of life in a wider Europe. The eastward shift in the continent's centre of gravity has brought new competition from former communist countries where wages are roughly one-fifth of Spanish levels. Unless Spain adapts to these circumstances, its ability to attract grants and investment from the rest of the EC

development of expectations of change on the markets. But the ERM will retain "fixed but adjustable exchange rates", not turn into a "crawling peg" system. In short, the system is fine. It is politicians who have been foolish. This is an understandable position for countries still in the system to take, but that does not make it the right one.

### No consistency

In the first place, the ERM has failed to provide consistent help to stability-oriented policies. Spain, for example, did indeed suffer a "significant and cumulative deterioration" in its competitive position that undermined the credibility of the peseta. Nevertheless, Spain's problem in the ERM was for years not a weak exchange rate, but a strong one. Similarly, the fiscal problems of EC member states have been exacerbated in recent years by the adverse effects of the ERM on the cyclical position of member states.

In the second place, the ERM cannot be made stable by more timely adjustment of exchange rates. Markets read the same statistics as policy-makers, but react far faster. With the illusion of stability departed, investors will analyse every EC member state for signs of cyclical or structural disequilibrium. When they find one, they will move. The authorities must then either resist or give in. If they normally accede to the pressure, their currencies will be pushed towards floating. If they resist, their credibility will be at stake and the temptation to play "double or quits" will be overwhelming.

The way fixed, but adjustable, exchange rates work in the absence of exchange controls is well known. They cannot survive by offering a series of highly profitable one-way bets to speculators. As a result, the ERM will not become more stable if substantial pre-emptive jumps in the exchange rate are made more frequently than hitherto. The well-known answer is to move either towards credibly fixed exchange rates, or towards managed floating. Given the politics, it is not surprising that the dilemma has not been confronted. But there are flaws in the ERM. They must be eliminated.

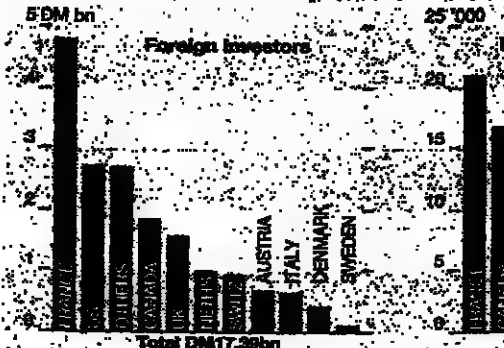
### Fresh priorities

The goal to which the country aspires - economic and monetary union by the end of the century - has become less feasible even for the stronger EC economies, let alone Spain. If Spain now realises that it is unlikely to be among the first group of EC members that go ahead with Emu, this should be construed not as a failure, but as an opportunity. Above all, Spain should reverse its order of priorities. Its most pressing task is to construct and enact policies to correct flaws in the domestic economy and make Spain more competitive. The time to worry about participation in Emu will come after these policies are in place, and showing positive results.

Because of the size of the unregistered economy, the official figures overstate the true level of unemployment. None the less, the recorded level of 3.3m represents a startling waste of resources in one of the EC's poorest countries. To realise its undoubted potential, Spain needs to make room for private-sector job creation.

Crucial to this aim are measures to restructure and privatise public sector industry, to control public spending more effectively, and to make labour markets more flexible. Two measures long sought by employers, which Mr Solchaga has failed to push through because of party and trade union opposition, are particularly necessary: the ending of administrative controls over layoffs, and the break-up of rigid centralised wage bargaining. Unless Spain makes adjustments of this kind, it will have little chance of leaving the economic periphery and climbing into Europe's premier league. Voters do not yet seem fully convinced of the need for a change in priorities. As the election campaign gets under way, the politicians' task now is to show it is essential.

### Treuhands: the pace of privatisation



ESSES have often been pelted at the Berlin headquarters of the Treuhand, the agency charged with privatising east German industry. Earlier this month angry workers from the potash mines in Thuringia arrived in Leipzig Street, where the Treuhand is based. Throughout the hot afternoon, they shouted abuse at the agency's employees, threw eggs at the windows, and scattered potash on the pavements. It was a reminder that of all the institutions set up in east Germany after unification, the Treuhand is not only one of the most well known, it is also the most hated.

This is because it has completely restructured east German industry in accordance with the mandate granted by the government in 1990 after reunification. The result has been high unemployment. Of the 4m workers in the 13,000 companies placed under the Treuhand, only 1.4m now have jobs. By the end of last year, the Treuhand had started closing down 2,200 companies.

Mr Hero Brahms, vice-president of the Treuhand, said there was no choice. "I know we are a shield for the politicians in Bonn. We will be blamed for the unemployment in eastern Germany," he said. "But if you look at the Treuhand's role, it was set up not only to privatise. We had to find solutions for all our companies."

Nearly 11,000 of the Treuhand's 13,000 companies have been dealt with since 1991, mostly through privatisation, which has brought in a total of DM40bn (€12.2bn) - lower than expected. However, the agency has received investment commitments totalling DM170bn, which will guarantee the 1.4m jobs.

Mr Brahms believes the Treuhand has accomplished the tough part of its task. Between now and the end of next year, when it is wound up, fewer than 1,000 companies, which employ 210,000, are left to be privatised. "Eight hundred of these companies have fewer than 100 employees each. These will not be too hard to privatise," Mr Brahms said.

Among the 1,000, there will, how-

Judy Dempsey examines the performance of the agency charged with privatising east German industry

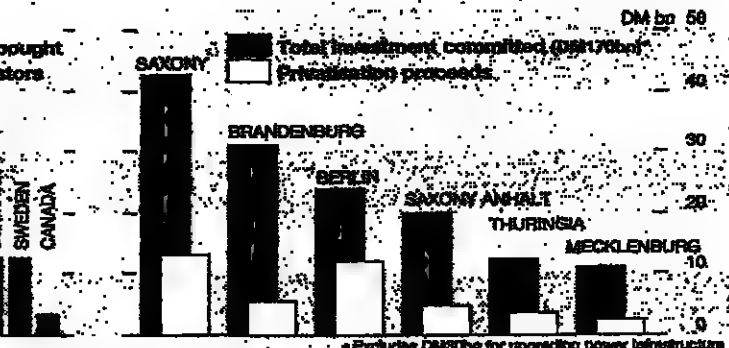
## Mission unpopular

ever, be some from heavy industry, such as mining operations and engine makers, which are difficult to break up and sell as smaller units. The Treuhand has set up five management companies, run by west Germans, each of whom will supervise about 15 of these heavy industrial companies. Over the next three or four years, they will restructure them with the aim of selling them off.

It is not just industrial concerns that have proved difficult to sell. The entire privatisation process has been complicated. One of the problems the Treuhand faced in the early days was that it was working in a vacuum. Germany chose not to use any of its neighbouring east European countries as a model - it ruled out the Hungarian system of small-scale privatisation, by-passed the Czech voucher scheme system of employee shares, and resisted the Polish or Russian method of leaving big enterprises intact until the end of the privatisation proceedings. Instead, it chose to privatise from "the top down". Having made the decision, the government simply put everything up for sale.

"It is academic whether the Treuhand could have done it differently," said Mr Thomas Mayer, chief economist at Goldman Sachs, the investment bank. "I was highly critical of this method of privatisation in the early days. But it has done a fairly good job in a short space of time."

Mr Mayer admitted that the cost of privatising east German industry had been higher than expected. In-



stantial estimates for taking over the bad debts of the region's enterprises totalled DM70bn. This increased to DM92bn after reunification and monetary union between the former west and east Germans. A further DM160bn was earmarked for the Treuhand for investment and restructuring costs.

Now, the total debt of the companies for sale is likely to exceed DM270bn, instead of DM252bn, because of rising labour costs. In addition, the falling value of obsolete plant has limited the receipts from privatisations.

Further political development which has had a negative effect on the companies' purchase prices has been the breakdown of the Soviet and east European markets. When west German and foreign companies entered east Germany it was initially with the hope that a stepping stone would be provided to markets in the east. That hope has evaporated.

"Expectations [among investors] were high in 1991 because eastern Germany still had markets," said Mr Brahms. Russia, for example, was absorbing about 70 per cent of east German exports. But following the collapse of Comecon, the former Soviet trading bloc, trade is down to virtually zero. "This affected the large enterprises. Their market disappeared overnight," said Mr Brahms. "Investors were hit as well because some of their early concepts were clearly designed for having a new, additional export market for eastern Europe."

Despite the collapse of markets in the east, the Treuhand managed to find buyers for thousands of east German companies - mostly from west Germany. Critics of the agency accuse it of having an in-built bias towards west German industry and west German managers. There is a widespread perception that west German companies rushed in and took over the most potentially viable businesses, such as insurance companies and chemicals companies, to protect their markets and keep out foreign competitors.

Mr Brahms and his colleagues dismiss such charges. "Our foreign friends have always said: 'East Germany for the West Germans'. The real story is that not only did the west Germans know more about east Germany - and knew the language. But they were more prepared to cope with uncertainties, particularly property rights, which were very shaky in 1991," he said. "However, we were determined to attract foreign investors as a means of creating more competition. Look how the French Elf petrol stations managed to set up here." However, by the end of this February, only 577 companies had been bought by foreigners, about 10 per cent of the total. France, which has invested DM4.8bn, headed the list, followed by the US, Canada and Britain. Mr Helmut Ballon, the director of the Treuhand responsible for mining privatisations, said he and his colleagues had not shied away from seeking foreign investors. He is active in selling east Germany's lignite mines to an Anglo-American consortium headed by Britain's PowerGen and NRG of the US. But he agreed that it was extremely difficult, in the early days, to increase the flow of foreign investment. There were no proper marketing or accounting procedures, for instance. "We lacked basic information about what we were selling. Until about spring of 1991, we could not even describe accurately what the companies did."

Other Treuhand officials suggest that even if west German companies have acquired the largest slice of east German industry, fears that they would close factories to prevent competition have not materialised. "We never privatised with the aim of closing down," explained Mr Frederick Fucci, from the Treuhand's investor relations department. "Indeed, all the contracts are anchored on three principles."

First, investors had to commit themselves to a certain level of funding over a set period; second, they must set up a regional office in eastern Germany; third, they must guarantee a fixed number of jobs for a specified period, depending on the contract.

So while short-term guarantees are in place and provide a measure of confidence, the long-term outlook is less certain. The success of the Treuhand will ultimately be gauged by the ability of the privatised companies to compete. But the collapse of their traditional east European markets together with the west European recession is likely to delay the improvement of conditions in the east German economy.

According to a recent Deutsche Bank report, average operating losses last year in privatised east German enterprises amounted to 30 per cent of total turnover. But Treuhand officials remain optimistic. Mr Brahms said: "Every investor knew they were investing in an economy with rising wages, which demanded sophisticated strategies. With such strategies, eastern Germany should reach a higher standard faster than the other east European countries. It will take time. But I am convinced there was no other solution."

## Portillo risks targeting his own foot



PERSONAL VIEW

Targeting welfare benefits is again in fashion for the UK government in its search for cost savings. Michael Portillo, chief secretary to the Treasury, has floated the idea as part of the current review of public spending. Political pundits declare its inevitability. Even the Labour party's Commission on Social Justice is giving it serious consideration.

The argument is simple. Public spending is out of control, largely because of the expense of universal benefits; and universal benefits by their very nature go to the middle class, who do not need them. Targeting would enable welfare spending to be cut, thus relieving the pressure on the public purse while not hurting those really in need.

But research by the welfare state programme at the London School of Economics, funded by the Economic and Social Research Council, suggests that all these claims have to be treated carefully. It is true that welfare spending is at an historical high with respect to gross national product - 28 per cent in 1992-93. But this is in part a consequence of the recession, which both raises spending, through its impact on unemployment, and lowers GNP. If the green shoots of recovery are indeed appearing, then the crisis will melt away with the recessionary snow.

It is also true that the middle class benefit extensively from parts of the welfare state. In some areas this involves large subsidies that are difficult to defend - for instance, the use by the middle class of the higher education system far outweighs any contribution they might make in terms of taxation. But in other cases the situation is not so simple. For the welfare state is not only, or largely, a Robin Hood device for taking from the rich to give to the poor. Rather it takes tax payments from people at one stage in their lives and, in return, pays benefits to them at another. We estimate that over their lifetimes people pay for between two-thirds and three-quarters of the benefits they receive from social security, education and health. Hence the welfare state is acting as a "savings bank", smoothing the flow of resources for the same individuals over the life cycle.

The welfare state is not a real savings bank in the sense that people get out the actual money that they have put in. Instead, today's workers pay for today's welfare beneficiaries. But they only do so because there is an understanding - an implicit contract - that they will be looked after if and when the need arises. If the welfare state is altered at this point, large numbers of people will feel the contract has been broken - that they have paid into something from which they will not themselves benefit.

Moreover, even if any savings due to targeting are fed back to the losers through tax cuts, it is far from clear that they will end up being better off. Those who lose eligibility for benefits will be forced to make insurance provision for themselves, provision that may be more expensive and less flexible. Due to the costs of marketing, the payment of sales commissions and so on, the administrative costs of private welfare are much higher than for state welfare. And the market may fail altogether to offer some kinds of protection, such as insurance against unemployment.

There is a further complication. Part of the welfare state does act as Robin Hood and does indeed take from the lifetime rich and give to the lifetime poor. It also redistributes between the sexes. Overwhelmingly, over their lifetimes women are net gainers from the welfare state, receiving an amount equivalent to the value of a good-sized house in a nice part of the country. This is largely because of the impact of universal benefits such as child benefit and the state earnings-related pension scheme. Removing them or cutting them would benefit men at women's expense.

As Mr Portillo has found out, on this issue even putting a toe in the water has serious political risks. Targeting offends many powerful groups. Moreover, in many areas it is difficult to justify on more objective grounds. Political parties should be very careful before they plunge into this particular pool.

Finally, it should be remembered that the current "crisis" is in large part the government's own creation. In the run-up to the 1992 election, it sharply increased public expenditure on welfare. Spending on health, education, housing, personal social services and social security went up by more than 14 per cent between 1990-91 and 1992-93, far more than could be justified by recessionary pressures. All governments follow the electoral cycle, but they need to be sensitive to whom they make pay for it when the election is over.

The author is the Richard Titmuss professor of health policy at the London School of Economics

### Julian Le Grand

## Willy's final Claes act

What have Willy Claes, Belgium's foreign minister, and Sir Edward Heath, father of the House of Commons, got in common apart from an enthusiasm for the European ideal? They both like conducting orchestras almost as much as orchestrating their fellow politicians' agendas.

Indeed, Claes is looking forward to Belgium's presidency of the European Community, which begins on July 1, with a mixture of optimism and sadness. Optimism, because last week's Danish and British votes in favour of the Maastricht treaty have given the drive towards European union new impetus. Sadness, because for six months Claes will be out of action as a conductor.

Claes has made quite a name for himself as a guest conductor of orchestras worldwide. On an official visit to the Middle East in December, the 54-year-old Flemish socialist caused quite a stir by conducting the Jerusalem Symphony Orchestra with one hand, while condemning Israel's deportation of 400 alleged Muslim fundamentalists with the other.

Aides say conducting is the only activity Claes has time for outside his ministerial duties and the minister's Brussels office features an elaborate hi-fi system. Sadly, Claes conducts his last concert next

month for Belgian television and then will have to content himself with trying to keep the 12 member states in tune.

Come December, however, the Community baton will be passed on to the Greeks and Claes will be free to remount the podium: he's already fixed up three concerts with the Liège opera orchestra and is open to further offers.

### Dirty talk costs

Please do not adjust your phone. The National Association of Securities Dealers in the US, in a bid to clean up its industry, has fined and censured a New York stock trader for... swearing.

In handing out a \$10,000 fine and suspending the Brooklyn-based trader from the securities business for one day, the NASD scolded the culprit for using "gross, vile and disgusting" language during a series of conversations with rival traders - language that "transcended anything that could be remotely considered proper even in those circles".

The NASD dared not repeat the exact words used, but did reveal that one offending passage began with "dumb Minneapolis..."

### Faulty plug

Another public relations triumph from Hoover, home of the never-to-be-repeated free flights offer. Yesterday, Gerald Kamman,

## OBSERVER



the company's European president, gave a press conference in Paris to say that it was, after all, going to close its Dijon plant and transfer output to Scotland - a move which caused an Anglo-French political fracas when first mooted earlier this year. Unfortunately, no British newspapers were there to cover the event because Hoover failed to invite any....

### Paper tiger

One of the first things that accountant Ian Hay Davison needs to do when he takes up the chairmanship of Newspaper Publishing, owners of The

Independent, is to get a wider boardroom table.

For Hay Davison, a former senior partner of Arthur Andersen, is a "restless man", according to The Independent's company historian, Stephen Glover. The latter should know, since Hay Davison "frequently lashed out" at Glover's shins (unconsciously, of course) when the two of them used to sit around the Indy's boardroom table. Hay Davison's other failing, according to Glover, is that he often gets people's names wrong. Indeed, Glover was so irritated by this that that, when he told Hay Davison that he was resigning, he insisted on saying "Goodbye George". Vicious stuff.

### Bore speaks

The Tory government's ability to sound a bum note when it is trying to blow its own trumpet never ceases to amaze.

It is justifiably proud of the £75m-worth of support it is pouring into Manchester's bid to host the Olympic Games in the year 2000. But wasn't it a little insensitive to make that very bid the centrepiece of the Department of the Environment's exhibition stand at the City's 93 conference which opened in Birmingham yesterday? Brum, which is co-sponsor of the conference, is still smarting at the government's refusal to back its own attempt. "I'd like to see the level of resources provided for Manchester made available to

Birmingham," growled Labour councillor Albert Bore, chairman of the city's economic development committee. "All we got was a letter of support signed by Margaret Thatcher."

### Under strength

Expect a good turnout for trade and industry secretary Michael Heseltine's power lunch at London's Lancaster House today. It's the first get-together of Hezza's "round table" of hand-picked business leaders who plan to discuss the state of the nation every six months or so. But why only 19 names?

A "Group of 20" would have had a much better ring to it. However ICI, which was on the original guest list, has dropped out, claiming that it is too busy reorganising itself.

### Group 4 score

Bookies William Hill heaved a sigh of relief when Nuclear Electric sailed into Southampton to claim the trophy in the British Steel Challenge round the world yacht race with just 70 minutes to spare. Why? Nuclear Electric was a "10:1 outsider. We made a handsome profit," beams William Hill, doubly relieved that second-placed Group 4 (at 5:1) saw victory elude them.

Out of the 10 competing boats, a Group 4 win would have presented the bookies with the largest liabilities. They would, wouldn't they.



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# FINANCIAL TIMES

Tuesday May 25 1993

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## Railway renews Germany's links to East Prussian past

'Nostalgia' tours are set to revive sensitive ties to a former heartland, says Quentin Peel

If it were not for the red ribbon across the railway line, and the bright blue paint liberally splashed on the new steel sleepers, nobody need have noticed the occasion.

A handful of speeches on the platform, a quick couple of anthems from the local navy band, an inaudible press conference in the station waiting room, and it was all over. The rest of Kaliningrad railway station was bustling with Russian commuters going about their business.

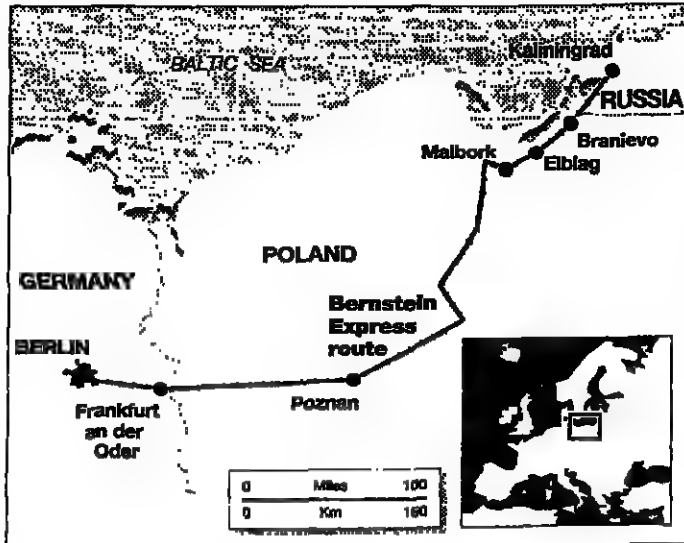
And yet it was a sort of moment of history: when the ribbon was cut, it meant that the railway line from Kaliningrad, the former East Prussian capital of Königsberg, to Berlin, the German capital, was back in business for the first time since the second world war.

The "Königsberg Express" will run once a week from Berlin's Hauptbahnhof, through Poland, carrying German "nostalgia-tourists" back to their former home town, or the home of their ancestors. It is already listed in the new German railway timetable.

The inauguration this weekend was a half-hearted affair. The main dignitaries stayed away: there were no ministers of transport from Germany or Russia. No chief executives of the railways.

The celebration was left to the German private sector, which launched the initiative of rebuilding the 2km gap in the railway line where the Russians tore it up in 1947; and to the local administration of Kaliningrad, which is desperate to open links to the outside world. Moscow, Warsaw and the German government in Bonn were represented by lowly transport officials.

The truth is that the subject of Germany's links to its former Prussian heartland is acutely sensitive, and potentially embarrassing. The collapse of the Soviet Union has left the entire Kaliningrad region in limbo, a no man's land caught between its



neighbouring states of Poland, Lithuania and Belarus, with no direct links to Russia, and its real historical ties to Germany.

With 900,000 inhabitants, 400,000 of them in the city itself, the region is little more than a glorified military garrison, the main base for the Russian Baltic fleet, and a point of return for Russian troops based in eastern Europe. Agriculture, which once supported vast estates of the aristocratic Prussian Junker families, has been all but abandoned, and the region has little to offer economically apart from a modest fishing industry, and an equally modest tourist potential.

Kaliningrad itself is a Soviet-style eyesore, with only a handful of ruins to mark its history. About 40 per cent of the city was destroyed by British bombers in 1944, and the rest was effectively levelled by Stalin's tanks and subsequent town planning.

Pauline, one-time Intourist-trained guide retained in devastating frankness, admits that the city has been rebuilt in a style "both primitive and tasteless". Her German tourists are horrified that all that is left are the devastated ruins of the city cathedral, a hideous neo-classical tomb of the philosopher, Immanuel Kant, and a couple of gates from the old city walls.

The German government is acutely sensitive about any sign that it might be acquiescing in

the "re-Germanisation" of Königsberg. Mr Helmut Schäfer, the minister of state at the foreign ministry in Bonn, was supposed to deliver a speech in the city last week. He sent his apologies, and a diplomat read the text instead.

For Germany, he said: "There is no question of this territory belonging to the federal republic. The borders of united Germany are those of the previous federal republic, and the GDR."

The problem is that behind Germany's back, and behind Russia's back, a German-speaking population is returning. An estimated 10,000-15,000 Volga Germans, deported from their homeland by Stalin, have settled in the countryside around Königsberg in the past four years.

So the Bonn government, with backing from Moscow, has opened a "German-Russian house" to give them a meeting point. It plans to open a consulate next year. But it is adamant that it has no ulterior motives.

As for the railway line, nobody said it was just to Berlin. It would link Kaliningrad to the western world, they declared.

When the first trains left Berlin on Friday night, the departure board at the central station declared proudly they were travelling to Königsberg. When they returned on Sunday, the notice board was subtly changed: they were coming back from Kaliningrad, it confessed.

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## Hoover to go ahead with Dijon closure

By Guy de Jonquieres in London

HOOVER, the US domestic appliance maker, said yesterday it had decided to go ahead with its controversial plan to close its vacuum cleaner factory in Dijon, France, and move production to Scotland.

The decision, announced in Paris by Mr Gerald Kamman, president of Hoover Europe, follows a sweeping management review of the company's operations designed to cut costs and restore profit.

The production transfer, which will create about 400 jobs at Hoover's plant in Cambuslang, near Glasgow, was first disclosed in January. It enraged the French government and Mr Jacques Delors, president of the European Commission, who accused Britain of poaching jobs.

Mr Kamman said last month that he was reconsidering the move and would be prepared to cancel it if he judged that it did not enhance the viability of the company. He said that the Dijon plant was close to a profit on manufacturing, but that Hoover's sales in France had fallen sharply this year.

Mr Kamman was appointed head of Hoover's European operations and its UK business two months ago after Mr Bill Foust, his predecessor, was dismissed because of fiasco of the company's recent free flights promotion.

The planned closure, to be staged over the rest of this year, will mean the loss of about 500 of the 705 jobs at the Dijon plant. Mr Kamman said yesterday Hoover had drawn up a "social plan" costing FF185m (\$33.5m) to cover the redundancies.

Hoover said the terms of the move to Cambuslang, for which the British government has offered £2.5m (\$3.8m) in regional aid, had not changed. It was still considering further cost-cutting measures.

Hoover Europe lost \$67.1m last year, including a \$55m restructuring charge, on sales of \$501.9m. Maytag, the company's US parent, lost \$131m last year and a further \$10.5m in the first quarter of this year.

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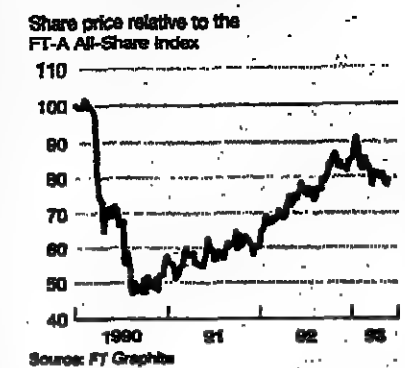
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## THE LEX COLUMN

### Telephone sales

FT-SE Index: 2825.6 (+13.4)

#### Carlton Communications



Source: FT Graphs

vision - particularly if the government were to relax the takeover rules applying to TV franchises.

Even recent scare stories, which have so undermined the shares, contain more scare than story. Although alternative film distribution channels may eventually present a threat to Carlton video business, the big Hollywood studios are unlikely to risk them just yet. Nevertheless, despite all Carlton's attractions and its sub-market rating, it is doubtful whether the shares deserve to move much from here. Reuters, another unfashionable media giant, has fallen to a lower historic earnings multiple than Carlton. Reuters' growth prospects may be questioned, too, but there is no disputing the greater reliability of its income stream.

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England Savings is a case in point. If that policy is adhered to from here on, Citizens might avoid the kind of real estate loan losses which blighted NatWest Bancorp. But avoiding pit-falls is not enough to guarantee a decent return on capital. Royal Bank has seen only a modest return on its original investment in 1988.

Expanding Citizens' loan book and gearing-up its capital base are thus necessary to keep profits rising. While loan demand is slack, buying smaller rivals may be a safer way of proceeding than forcing growth from within - always assuming exhaustive due diligence procedures are followed. Royal Bank deserves credit for installing management with local knowledge. It has yet to prove it can keep a transatlantic grip during the growth phase.

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## BCCI depositors sue Bank for failing as regulator

By Andrew Jack in London

DEPOSITORS in the collapsed Bank of Credit and Commerce International yesterday issued a writ against the Bank of England for allegedly failing in its role as regulator.

Liquidators at Touche Ross, the accountancy firm, co-ordinated the legal action. It is believed to be the first time the Bank has been sued under banking law.

The move - which had been hinted at by liquidators over the last few weeks - was delayed by questions over whether the law would permit BCCI itself to sue the regulator.

But Touche Ross recently received a legal opinion from Sir Patrick Neill, QC, that while BCCI or its liquidators could not sue directly, individual depositors might be entitled to damages from the Bank.

The writ was issued in the names of a small number of depositors and alleges that the

Bank failed to regulate BCCI properly in accordance with the 1979 and 1987 Banking Acts.

The Bank of England said yesterday: "We have been aware for some weeks that the liquidators were considering whether proceedings could be brought against the Bank. We believe we have a complete defence to them."

The Bank was criticised last year in a US inquiry chaired by Senator John Kerry and in a report commissioned by the UK government from Mr Justice Bingham, following which it introduced a







## INTERNATIONAL COMPANIES AND FINANCE

## Weak demand restricts Carlsberg to flat period

By Hilary Barnes  
in Copenhagen

WEAK demand in a number of markets, combined with adverse currency swings, has left Carlsberg, the Danish brewer, with profits little changed for the first six months.

Pre-tax profits for the half-year ended March were DKr4m higher at DKr694m (\$111.44m) after an improvement in net financial income to DKr214m from DKr190m.

Had earnings by non-Danish companies been translated at the exchange rates ruling a

year earlier, pre-tax profits would have been some DKr50m higher, the group said.

Operating profits (after depreciation) dipped to DKr480m from DKr500m, including a DKr90m increase in depreciation. Sales were 8 per cent higher at DKr7.25bn, against DKr6.66bn.

The Carlsberg-Tetley joint venture in the UK, which came into effect from December 12 last year, are included in the results. The venture contributed to the rise in sales, although specific detail is not provided.

"It is much too early to say

anything about Carlsberg-Tetley. It has been too short a period," said Mr. Walther Paulsen, a member of the Carlsberg board of management.

The joint venture shows up in the balance sheet, with total assets of the group increasing to DKr18.29bn from DKr14.92bn at the end of September last year.

Carlsberg said that the recession would cause a decline in operating profits for the full year, but this would be offset by increased financial income, barring adverse foreign exchange and interest rate movements.

## BCE to hold 16.5% in Talisman Energy

By Robert Gibbons in Montreal

BCE, Canada's biggest telecom group, will have a 16.5 per cent interest in Talisman Energy, the former BP Canada, as a result of tendering its Enco common and convertible preferred shares to Talisman under a revised offer.

The value of this holding will be about C\$275m (US\$217m) at present market prices.

BCE controlled Enco, the former exploration subsidiary of TransCanada Pipelines, through its holding of Enco common and convertible preferred. Talisman, now an independent upstream oil and gas producer, made an offer for Enco early this year and following criticism from institutional investors, revised it twice.

Enco shareholders late last week approved the latest offer. BCE is expected to divert its Talisman holding later, because it has decided to leave the energy field and concentrate on its telecom business.

## Baer Holding to increase dividend

By Ian Rodger

BAER Holding, the holding company of the Julius Baer private banking group, has proposed a dividend of Sfr25 per share for the year to March 31 1993, up from Sfr23.

The dividend on the tightly-held registered shares is to rise from Sfr4.60 per share to Sfr5.

The company's non-consolidated net profit rose 6 per cent to Sfr41.5m (\$24.15m).

Baer Holding also proposes changing its year-end to December 31 to coincide with that of the group. The group has already reported net income of Sfr67.7m for calendar 1992, up 15 per cent.

## CEA Industrie profits decline 26%

By Alice Rawsthorn in Paris

CEA Industrie, the French atomic energy commission, yesterday announced a 26 per cent fall in net profits to FF960m (\$175.34m) for last year, from FF1.3bn in 1991, due to the impact of adverse exchange rates and sluggish demand in some markets.

Meanwhile, France's new conservative government appeared to soften its line on the future of CEA's involvement with SGS-Thomson, the Franco-Italian microchip manufacturer. The industry ministry squashed speculation that

CEA would reduce its involvement with SGS-Thomson, in which it is one of the main French shareholders, by saying it would retain its existing stake.

However, the ministry, which has already made clear it planned to adopt a far tougher approach in its relations with state-controlled companies such as CEA and SGS-Thomson, said long-term links between the two companies would be reviewed.

The new government has also stressed it would be much more rigorous in its provision of financial support to public

sector concerns, although the industry ministry said CEA would continue to participate in the recapitalisation of SGS-Thomson.

CEA saw turnover rise from FF38.9bn to FF39.18bn last year, due largely to an increase in sales outside France. The proportion of sales generated from other countries rose to 34.3 per cent from 28.2 per cent over the same period.

The group identified its main problems last year as the difficult condition of the mining industry and poor demand for capital goods. CEA, like other French companies, was also

affected in the closing months of 1992 by the strength of the franc following the September currency crisis.

Operating profits rose to FF3.24bn from FF3.18bn. But group net profits were hit by an exceptional deficit of FF322m against an exceptional credit of FF2.25bn in the previous year.

CEA does, however, hope to secure growth this year through the inclusion of SGS-Thomson's semi-conductor operations, the mines recently acquired from the Total oil group and the Sopha medical business.

## Fondriaria to sell stake in Epic

By Haig Simonian in Milan

FONDRIARIA, the Italian insurance group which is expected to announce heavy losses later this week, is to sell for DM170m (\$105m) its one-third stake in the Epic insurance partnership.

Epic (European Partners for Insurance Co-operation) was set up in February 1992 by Fondriaria, Royal Insurance of the UK and Germany's Ancher und Münchener Beteiligungs as a step towards European insurance co-operation.

While each company decided to maintain its independ-

ence, European expansion outside their home countries was to have been co-ordinated.

Under the terms of Epic's creation, the stake has to be bought by AMB should Royal not buy it first. Epic's main activity is Royal's former Dutch business, and various other European business ceded by the three partners.

The latest move follows Fondriaria's DM985m sale this month of its 21 per cent stake in AMB to a group of German institutions.

As with the AMB shares, Fondriaria's Epic stake, held by its Latina subsidiary, will offi-

cially change hands only at the end of May 1994. The Italian company is likely to use a bank intermediary to receive the cash earlier to cut debts.

Fondriaria and AMB will also unscramble two remaining financial transactions, with Fondriaria selling AMB's 30 per cent stake in AMFO, the former Fondriaria Verwaltungen, for DM198m. AMFO controls 25 per cent of the former Volksfürsorge life group.

Meanwhile, Fondriaria will buy back the DM170m bond issued in 1990 and wholly underwritten by the AMB group.

## Carlton Television in the black

By Raymond Snoddy in London

CARLTON TELEVISION, the new London independent television company, went into trading profit in its third month on air, a better performance than expected.

The company, which took over from Thames Television on January 1, lost \$4.2m (\$6.4m) in the first quarter compared with the \$5m to \$17m forecast and, as advertising revenues continue to rise, is not expected to slip into trading loss again.

The loss, which is likely to be overturned in the full year,

includes the bid money paid to the government as well as interest on the \$20m launch costs.

The first news on Carlton Television came yesterday as its parent, Carlton Communications, announced a 16 per cent increase in pre-tax profits to \$55.1m for the six months to the end of March. Turnover rose 37 per cent to \$508m and earnings per share was up 14 per cent to 18.3p. The interim dividend is up 10 per cent to 7.4p.

Mr Michael Green, chairman of the broadcasting and television services group, said it still had net cash of \$50m after the

financing costs of Carlton Television. "The year has started well and Carlton is confident that the outcome for the year as a whole will show continued progress," Mr Green said.

Carlton Communications' results were in line with market forecasts. Its share price closed down 1p at 733p.

Carlton has made clear it is interested in buying a leading ITV company if the ownership rules change. Under the 1990 Broadcasting Act a company such as Carlton which is defined as large could only take over one of the smallest five ITV companies. Lex, Page 18

## Holderbank sees payout boost

By Ian Rodger in Zurich

HOLDERBANK Financière Glaris, one of the world's largest cement producers, expects its 1993 net profits to be "on a par" with the 1992 level of Sfr90m (\$24.85m).

Mr Thomas Schmidheiny, chairman, also indicated that the dividend for 1993 should be sharply increased following the 54 per cent rise in profit last year.

"The dividend certainly cannot remain at the previous level," Mr Schmidheiny said after the group's annual press conference. The directors have already proposed that the dividend for 1992 be maintained at Sfr12.50 per bearer share.

Sales in the first quarter

were up "1 or 2" per cent and profits were stable.

Mr Schmidheiny said the economic environment this year would be even tougher than that in 1992. "Regions experiencing buoyant construction activity can no longer expect impressive growth, and other areas are unlikely to see an upswing."

He expected a drop in demand in Europe and said the success of US operations depended largely on whether the recovery continued.

Latin American markets, which contributed substantially to the jump in group profits last year, were expected to produce "further gratifying results".

The group's total cement and

clinker sales last year rose 12.2 per cent to 43.1m tonnes, with sales in Latin America rising 14.4 per cent to 10.3m tonnes and European sales up 18 per cent to 13.3m tonnes.

Return on operating assets was strongest in Latin America at 19.7 per cent followed by 9.9 per cent in Europe and only 0.4 per cent in North America.

Mr Schmidheiny forecast that the group's cement deliveries this year would rise 4.4 per cent to 45m tonnes.

Mr Urs Bieri, a member of the executive committee, said Holderbank was seeking to improve its market position in Asia, and was actively looking for acquisitions in Vietnam, India and China.

## Injection of FM700m for Skopbank

By Christopher Brown-Humes in Stockholm

FINLAND'S government guarantee fund has agreed to inject a further FM700m (\$138m) into Skopbank, one of the country's leading banks, to ensure it continues to meet international capital adequacy requirements.

The infusion, which will be used to subscribe to the bank's capital certificates, means the bank has now received FM3.7bn in support from the government guarantee fund and a further FM800m in state preference capital to help it over Finland's banking crisis.

A further FM13.8bn was invested in a rescue of Skopbank by the Bank of Finland in September 1991 prior to its transfer to the state's guarantee fund in June 1992.

Last year, the bank sustained a FM3.81bn loss and its capital adequacy ratio slumped to 6.2 per cent at the year-end, just over the 5 per cent international minimum. Skopbank had already indicated it might need FM1.5bn of extra support this year.

The government has yet to decide on the future of Skopbank, the central bank for

Finland's savings banks, and the Savings Bank of Finland, which is also in state ownership.

Merrill Lynch is currently studying reorganisation options for both banks, including a merger of the two. Earlier discussions which might have led to them being taken over by Kansallis-Osake-Pankki, the country's leading commercial bank, have been adjourned, pending the presentation of the Merrill Lynch report.

The government guarantee fund owns 63 per cent of the votes in Skopbank and 53 per cent of the shares.

## Rationalisation lifts Incentive to SKr83m

By Hugh Carnegie in Stockholm

PROFITS at Sweden's Incentive, the industrial group controlled by the Wallenberg family, were up by 54 per cent in the first quarter to SKr83m (\$11.35m), excluding associated companies, from SKr54m in the previous year.

Mr Incentive attributed the improved profitability to a rationalisation programme aimed at narrowing the group's focus on core engineering operations.

Last week, it announced the sale of its US hydraulics group, Hägglunds Denison Hydraulics, which has sales of around \$100m, to a group of Swedish, US and British investors.

Mr Mikael Liljas, chief executive, said the effects of last autumn's devaluation of the Swedish krona would have a positive impact on full-year earnings, which were forecast to improve over last year's SKr371m, excluding associated companies.

First-quarter profits after inclusion of income from shareholdings in Asea, Electrolux and Esab were SKr282m, compared with SKr238m a year ago.

Earnings per share, excluding non-recurring items, were up 6 per cent at SKr2, compared with SKr1.90.



## Nordic Investment Bank

Italian Lire 200,000,000,000  
10.80 per cent. Notes due 2003

## IMI Bank (Lux) S.A.

|  |  |
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| CREDIT SUISSE FIRST BOSTON ITALIA                                | KREDIETBANK INTERNATIONAL GROUP              |
| BANCA D'AMERICA E D'ITALIA                                       | Generale Bank                                |
| ABN AMRO BANK N.V.   | ASLK-CGER BANK                               |
| BANCA COMMERCIALE ITALIANA                                       | BANCA DI ROMA                                |
| BANCA EUROMOBILIARE  | Gruppo Cova di Riforma di Roma               |
| BANCO DI NAPOLI  | BANCA NAZIONALE DEL LAVORO                   |
| BANQUE INTERNATIONALES A LUXEMBOURG S.A.                         | BANQUE BRUXELLES LAMBERT S.A.                |
| COMMERZBANK  | CARIPLO S.P.A.                               |
| CREDIT COMMUNAL DE BELGIQUE S.A./GEMEENTENREDIET VAN BELGIË N.V. | CREDIT COMMERCIAL DE FRANCE                  |
| CREDITO ITALIANO   | DRESDNER BANK                                |
| GRIMPA EUROPE BANK S.A.  | Helaba Frankfurt Landesbank Hessen-Thüringen |
| ISTITUTO BANCARIO SAN PAOLO DI TORINO S.P.A.                     | ITALIAN INTERNATIONAL BANK PLC               |
| JP MORGAN SIM S.P.A.   | SAMUEL MONTAGU & CO. LIMITED                 |
| MORGAN STANLEY INTERNATIONAL                                     | PARIBAS CAPITAL MARKETS                      |
| SANWA INTERNATIONAL PLC  | SWISS BANK CORPORATION                       |

UBS LIMITED

## Royal Insurance

## Royal Insurance Holdings plc

("Royal Insurance")

£76,000,000

7% per cent. Convertible Subordinated  
Bonds due 2007

("the Bonds")

Notice to the holders of the Bonds pursuant  
to Condition 5 of the terms and conditions  
of the Bonds (the "Bond Conditions")

On 5th May, 1993 Royal Insurance announced its proposal for the issue of up to 162,148,802 new Ordinary Shares by way of rights to ordinary shareholders on the register as at the close of business on 14th May, 1993 at a price of 255p per share on the basis of 1 new Ordinary Share for every 3 Ordinary Shares held.

Royal Insurance hereby gives notice that the Conversion Price (as defined in the Bond Conditions) will be adjusted (in accordance with the Bond Conditions) from 312.8p per Ordinary Share to 297p per Ordinary Share.

Royal Insurance Holdings plc  
1 Cornhill  
London EC3V 3QR

25th May, 1993

## PETROFINA S.A.

Office : 52, rue de l'Industrie - B-1040 Bruxelles  
VAT n° 403.079.441 - R.C. Bruxelles n° 227.957

## DIVIDEND NOTICE

At the Annual General Meeting held on May 14, 1993, the Shareholders approved a dividend payment of BEF 280 (or BEF 210 net after deduction of withholding tax) in respect of 23,126,703 shares outstanding at December 31, 1992, coupons numbered 8 to 30 still attached. For the 125,000 AFV shares, with coupon numbered 8 to 30 still attached, the dividend amounts to BF 224 net.

The dividend will be payable as from May 23, 1993 against coupon no 8 to:

Banque Bruxelles Lambert  
CGER Banque Paribas Belgique Kreditbank  
Banque Nationale de Paris - Crédit du Nord  
Banque Internationale à Luxembourg - Banque Générale de Luxembourg  
Commerzbank Deutsche Bank Dresdner Bank ABN-AMRO Bank  
Crédit Suisse Société de Banque Suisse Union de Banques Suisses  
Crédito Italiano Barclays Bank (Fenchurch St., London)

25th May, 1993

## U.S. \$250,000,000

## BANK OF BOSTON

## CORPORATION

## Subordinated

## Floating Rate Notes Due 2001

Issued 10th February 1988

Interest Rate 5% per annum

Interest Period 24th May 1993

Interest Amount per U.S. \$50,000 Note due 24th August 1993 U.S. \$638.89

Credit Suisse First Boston Limited

Agent

U.S. \$100 Million

Floating Rate Notes Due 1996 and

U.S. \$150 Million. Floating Rate Notes Due 2000

It is hereby announced to the holders of the U.S. \$100 million floating

rate notes due 1996 and to the holders of U.S. \$150 million floating

rate notes due 2000 issued by Arab Banking Corporation (B.S.C.) that the audited

annual report and accounts for the year ended 31st December 1992 of

Arab Banking Corporation (B.S.C.) are available and copies may be obtained

from the Bank at the following address in Bahrain:

Arab Banking Corporation (B.S.C.)

P.O. Box 5698, Manama, State of Bahrain or through

the branch of the company at its address in London:

Arab Banking Corporation (B.S.C.)

ABC House, 1-5 Moorgate, London EC2R 6AB, England

U.S. \$100 Million

Floating Rate Notes Due 1996 and

U.S. \$150 Million. Floating Rate Notes Due 2000

It is hereby announced to the holders of the U.S. \$100 million floating

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from the Bank at the following address in Bahrain:

Arab Banking Corporation (B.S.C.)

P.O. Box 5698, Manama, State of Bahrain or through

the branch of the company at its address in London:

Arab Banking Corporation (B.S.C.)

ABC House, 1-5 Moorgate, London EC2R 6AB, England

U.S. \$100 Million

Floating Rate Notes Due 1996 and

U.S. \$150 Million. Floating Rate Notes Due 2000

It is hereby announced to the holders of the U.S. \$100 million floating

rate notes due 1996 and to the holders of U.S. \$150 million floating

rate notes due 2000 issued by Arab Banking Corporation (B.S.C.) that the audited

annual report and accounts for the year ended 31st December 1992 of

Arab Banking Corporation (B.S.C.) are available and copies may be obtained

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## JAPANESE ROUND-UP Government to oversee liquidation of bank

By Robert Thomson in Tokyo

THE JAPANESE government is to oversee the liquidation of a financially-troubled credit association in Kamaiishi, northern Japan, after fears that a disorderly collapse of the institution could undermine confidence in the regional banking system.

Assets of Kamaiishi Shinkin Bank, which has ¥44.8bn (\$400m) in deposits, will be distributed among a larger bank in the same area, Bank of Iwate, and two other institutions under a liquidation plan drafted by the Bank of Japan and the finance ministry.

The government plans to use funds from the Deposit Insurance Corporation (DIC), which insures deposits for up to ¥10m, to ensure the success of the liquidation.

Funds from the DIC have been used in the past to facilitate a merger of a troubled bank, but this is the first time money will be used for a liquidation, suggesting that the government was unable to find a larger institution willing to take over the bank, as is customary in these cases.

It is expected that between ¥10bn and ¥20bn in funds will be needed from the corporation to cover losses at Kamaiishi Shinkin, an institution similar to a credit union and traditionally reliant on small companies for its business.

Officials at the bank, which has 12 outlets, blame its plight on a particularly severe recession in the area brought on by troubles in the fishing industry and the closure of a large steel mill. However, they also blamed yesterday that "illegal lending" could also be responsible and promised to launch an investigation.

Government officials indicated that there were "management" problems at Kamaiishi Shinkin, which generally means that an institution became carried away during the frenzied years of the late 1980s, when lending to stock and property speculators by Japanese banks was common.

Kamaiishi Shinkin says there has been no evidence of a run on its deposits, which have been stable over the past year, but it has an increasing pile of non-performing loans. A bank official said yesterday that "we thought there may be trouble because of the publicity", but there were no queues of depositors.

The Bank of Japan and the finance ministry were particularly concerned an uneasy collapse would fuel rumours that a range of small regional institutions are unstable, prompting a run on those banks or credit associations.

## Weak domestic demand hits Suzuki

By Michio Nakamoto in Tokyo

SUZUKI Motor, Japan's largest minicar producer and the world's third-largest motorcycle manufacturer, yesterday blamed a 3 per cent fall in pre-tax profits to ¥20.5bn (\$186m) for the year to March on a combination of weak domestic demand, higher non-operating costs and a plunge in financial income due to lower interest rates.

Suzuki, however, reported a 34 per cent rise in operating profits to ¥22.5bn, helped by

higher sales and a rise in productivity.

The results highlight the contrasting economic climates of developing countries, where the company's products have been in strong demand, and Japan, where demand for both motorcycles and cars has been weak.

Strong demand for motorcycles in south-east Asia, China and Latin America offset otherwise difficult trading conditions for Suzuki, taking sales marginally higher to ¥1,053bn from ¥1,047bn previously.

Outside Japan, particularly in developing countries where Suzuki has been focusing its efforts, the company benefited from rising demand for its knock-down price compact cars and for its motorcycles in south-east Asia and South America.

Exports of motorcycles rose 38 per cent in unit terms, helping sales of motorcycles overall to increase by 18 per cent. Suzuki is forecasting a moderate improvement in sales to ¥1,055bn but a fall in pre-tax profits to ¥20bn for the year to March 1994.

demand for both minicars and motorcycles, with sales dropping by 21 per cent and 9 per cent respectively in unit terms.

The strength of the yen was a depressing factor, with exchange rate losses accounting for ¥3.7bn. The company expects the high yen and persistent economic weakness at home to continue to cloud its prospects in the current year.

Suzuki is forecasting a moderate improvement in sales to ¥1,055bn but a fall in pre-tax profits to ¥20bn for the year to March 1994.

## Nikon turns in first loss since stock listing

By Michio Nakamoto

NIKON, the Japanese camera and precision instruments manufacturer, yesterday reported a plunge into pre-tax losses of ¥2.33bn (\$21m) for the 12 months to March from profits of ¥7.23bn the year before. Sales fell 11 per cent to ¥204.9bn.

This was the first loss incurred by the company since it was listed on the stock exchange in 1989. It followed depressed demand for its semiconductor equipment and precision instruments caused by a sharp downturn in capital spending by Japanese corporations.

At the net level the company managed to stay in the black with profits of ¥219m, down 93 per cent from ¥3.82bn.

Nikon, which depends for 54.4 per cent of sales on exports, said its camera sales had also been under pressure due to the downturn in consumer spending in Japan.

Compact cameras performed relatively well, but sales of single-lens reflex cameras and interchangeable lenses had been disappointing.

Precision instruments were particularly hard hit by the decline in capital spending by semiconductor manufacturers.

Sales of Nikon's machinery division plunged 35 per cent in the domestic market against 4 per cent overseas.

Continuing weakness in capital spending by corporations and the slump in personal consumption, the sharp appreciation of the yen, trade friction and sluggishness in EC markets were expected to work against the rapid recovery of markets, Nikon said.

The company was working to raise efficiency, slim down operations and cut costs, it said. For example, it had moved some production to Southeast Asia for the first time in order to deal with the stronger yen.

## Barlow Rand holds dividend despite fall in half-way earnings

By Philip Gwini in Johannesburg

BARLOW Rand, South Africa's largest industrial company, yesterday announced it would maintain its interim dividend at 54 cents per share despite a 5 per cent fall in earnings per share to 196 cents in the six months to March from 207.3 cents a year earlier.

Although the company predicted a sharper decline in profits in the second half, Mr Warren Clewlow, chairman, said he remained confident that the total dividend would be maintained at 173 cents per share. The results were in line with market predictions and followed a warning in January from Mr Clewlow that profits were likely to be down.

Mr Derek Cooper, managing director, said the results - Barlow accounts for about 10 per cent of South African GDP - showed that the economy was "certainly not buoyant". It was difficult to see any improvement in the economy before 1994, he cited business confidence and a political settlement as the key ingredients in any upturn. He said he "remained optimistic that the politicians are on a path of reasonable settlement."

Turnover rose by 10 per cent to R18.7bn (\$5.9bn) from R17.1bn, but pressure in virtually all sectors manifested itself in a 6 per cent drop in operating profits, before interest, to R1.3bn from R1.37bn. Interest paid fell by 9 per cent to R279m from R305m as a result of lower interest rates.

and reduced borrowings following the sale of Middelburg Steel in December 1991. Attributable profits fell by 4 per cent to R364m from R400m.

Results across the group were patchy. Some sectors performed well, notably packaging, pharmaceuticals, paint and motor interests and electronics. Other areas such as food, white and brown goods and earthmoving equipment struggled. A breakdown shows the main contributors to attributable earnings were:

- Mineral resources (mostly coal) - 23 per cent;
- Industry - 32 per cent;
- Packaging and textiles - 16 per cent; and
- Food and pharmaceuticals - 18 per cent.

Mr Cooper said a feature of the results was that about 43 per cent of attributable profits came from consumer-oriented companies compared with 30 per cent three to four years ago. The main strategic thrust of the group in recent years had been to move away from commodities and closer to the consumer, seen to be the main growth area in future years as urbanisation continues.

Finanzauto, Barlow's recently-acquired Caterpillar dealership in Spain, was badly affected by the decline in the Spanish economy and traded at a "substantial loss". Mr Cooper said Finanzauto's losses would continue for the rest of the financial year, but said Barlow's management and information systems were now in place and he anticipated an upturn in the new year.

## Tokio Marine and Fire receipts increase

By Robert Thomson

TOKIO Marine and Fire Insurance, the largest Japanese non-life company, reported 6.6 per cent growth in premium receipts in the year ending in March, as the industry generally benefited from a higher rate card during the period.

Pre-tax profit at Tokio Marine was down 1.4 per cent to ¥83.7bn (\$758m), but the non-life companies have fared better than many Japanese financial institutions, hard hit by the collapse of stock and property prices over the past three years.

Loss ratios for Tokio Marine were highest in the marine area at 83.6 per cent, and lowest on fire-related business at 39.5 per cent, down from 39.5 per cent in the previous year. Loss claims on car-related policies, accounting for just under half of the total, were running at 63.1 per cent, unchanged from the previous year.

Tokio Marine said unrealised gains on securities holdings were ¥1,931bn at end-March, compared to ¥1,955bn a year earlier, though gains on foreign securities holdings fell from ¥3.5bn to ¥428m. For the current year, the

company expects premiums to expand to ¥1,220bn, reflecting the impact of a 10.6 per cent rise in premium charges in April, following a 7.4 per cent increase in mid-1991. Pre-tax profit is forecast at ¥91bn, a gain of 8.7 per cent.

Mitsui Marine and Fire Insurance reported 4.2 per cent growth in premiums, and a 36.6 per cent lift in pre-tax profit to ¥28.4bn. It reported a similar loss ratio to Tokio, 64.4 per cent, on car-related policies, 77 per cent in the marine area, and 37.8 per cent on fire, down from 65.3 per cent.

This year, Mitsui Marine is expecting that premiums

will rise from ¥548.6bn to ¥600bn, and forecasts a pre-tax profit marginally higher at ¥29bn.

Yasuda Fire and Marine Insurance reported 4.6 per cent growth in premiums, but a 7.3 per cent fall in pre-tax profit to ¥37bn. However, the company expects premium growth of almost 10 per cent to ¥980bn this year, and a pre-tax profit of ¥38bn.

Pre-tax profits were flat at Sumitomo Marine and Fire Insurance, 5 per cent higher at Nichido Fire and Marine Insurance, and 22 per cent lower at Dai-Tokyo Fire and Marine Insurance.

## Yamanouchi Pharmaceutical slides 6.5%

By Wayne Aponso in Tokyo

YAMANOUCHI Pharmaceutical, a leading Japanese drug manufacturer, yesterday blamed lower interest rates and capital increases at overseas subsidiaries for a 6.5 per cent fall in pre-tax profits to ¥57.1bn (\$517m) for the year to March.

Net profits dropped by 13 per cent to ¥37.2bn last year, while sales rose 7.9 per cent to ¥243.6bn due to steady demand for the company's anti-ulcer drug in the Japanese market.

Yamanouchi's shares, which trade on the first section of the

Tokyo stock exchange, were under pressure from profit-taking during yesterday's session, ending ¥60 lower at ¥2,480.

Mr Toshio Yoda, a pharmaceutical sector analyst at UBS Securities, predicts pre-tax profit declines for the overall drug industry once the government establishes a fixed-price system in an effort to control the expansion of healthcare costs.

Drugs totalled about 30.8 per cent of the entire healthcare bill in Japan last year, compared with less than 15 per cent in most western countries, he said.

Yamanouchi expects a slight growth in unconsolidated pre-tax profits at ¥57.5bn for the current financial year, with net profits at ¥28bn, and a 6.7 per cent increase in sales to ¥260bn.

● Fujisawa Pharmaceutical, the Japanese drugmaker specialising in antibiotics, reported a 46.8 per cent rise in pre-tax profits to ¥22.7bn last year due to strong sales of oral drugs. These sales increased by 4.2 per cent to ¥236bn.

However, the Osaka-based company posted a sharp 78.9 per cent fall in net profits to ¥1.3bn due to substantial eval-

uation losses on its holding of shares of Fujitsu USA. These losses totalled about ¥6.5bn.

The company expects unchanged earnings for the current fiscal year, with pre-tax profits at ¥21bn, and sales at ¥336bn.

● Shionogi, a pharmaceutical maker engaged mainly in antibiotics, yesterday announced pre-tax profits climbed by 11.0 per cent to ¥21.8bn for the last fiscal year, and attributed the gain to steady demand. Net profits increased by 15.8 per cent to ¥8.4bn, while sales moved 5.9 per cent higher to ¥238.8bn.

## Fund cancellations behind Kenwood's ¥5.4bn deficit

By Robert Thomson in Tokyo

KENWOOD, the Japanese audio equipment maker, reported net losses of ¥5.4bn (\$49m) for the year to March after cancelling securities investment funds and restructuring an ailing financial affiliate.

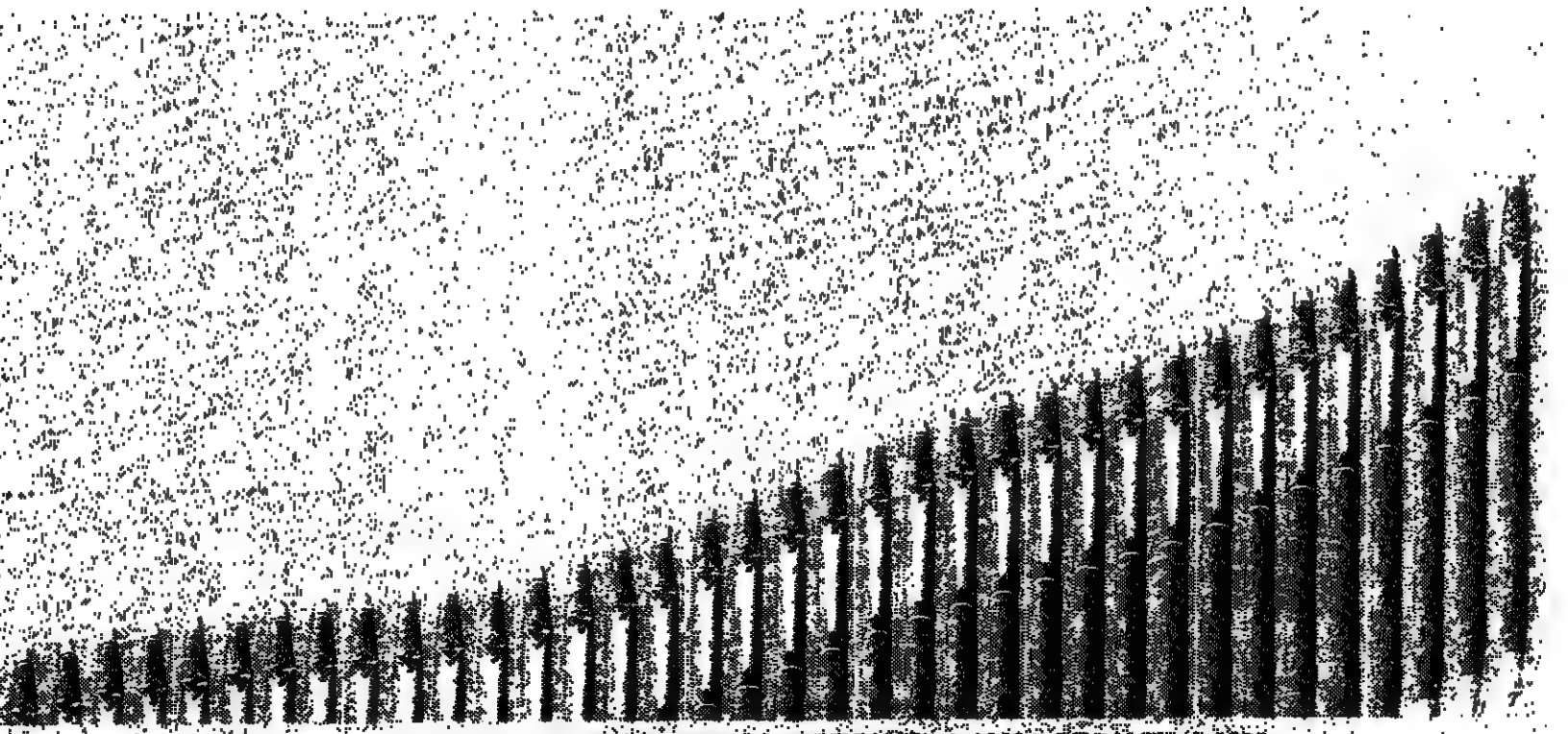
The difficulties at Kenwood, which reported net profits of ¥3.7bn in the previous year, are typical of those facing manufacturing companies which established special investment trusts in the late 1980s.

Kenwood is also taking the typical route of electronics companies by expanding man-

ufacturing operations in China and Malaysia and cancelling a planned telecommunications plant in Japan, where relative costs have been pushed higher by the yen's appreciation.

The plunge in Tokyo stock prices forced Kenwood to report extraordinary losses of ¥9.5bn, marking the end of its indulgence in *zaitoku*, the financial engineering which became increasingly ambitious during the so-called "bubble era". Pre-tax profits slid 38 per cent to ¥4bn, the first fall in 11 years. Sales, which rose 1.9 per cent to ¥210bn, were supported by strong demand from east Asian markets.

## Our 1992 balance: 22,123 training days



Its staff's professional credentials and sense of responsibility can be crucial to a bank's success. That's why basic and advanced training programs are assigned such high priority at BHF-BANK. In 1992, our 2,800 employees spent an average of 3.6 days each at continuing education seminars alone.

This intensive personnel development helps explain our service quality: in everything from foreign trade financing and project funding, to portfolio management and corporate finance.

Quality service also means responding to the challenge of changing conditions on world markets: in 1992 we opened a representative office in Mexico, and our Vietnam branch commences operations in June 1993. Together with Crédit Commercial de France we will also have a majority holding in Britain's Charterhouse plc. And we have concluded an extensive cooperation agreement with IKB Deutsche Industriebank AG.

Capital and reserves are another major quality benchmark, and in this respect BHF-BANK has long led the German market with a 7.4% share of the balance sheet total.

In synergy, this performance generates the power which has enabled the BHF-BANK Group to increase its operating result once again in 1992 - this time by nearly 7%.

| Capital and Reserves | 1992   | 1991   | Percentage change |
|----------------------|--------|--------|-------------------|
| Equity               | 6,500  | 6,400  | +1.6              |
| Reserves             | 4,500  | 4,400  | +2.3              |
| Total                | 11,000 | 10,800 | +1.9              |
| Capital and reserves | 11,000 | 10,800 | +1.9              |
| Operating result     | 300    | 280    | +7.1              |
| Net profit           | 120    | 110    | +9.1              |
| ROA (per cent)       | 1.2    | 1.1    | +9.1              |



**BHF-BANK**  
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We will be pleased to send you our annual report for 1992.

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Branches, subsidiaries and representative offices in Amsterdam, Bogotá, Bombay, Buenos Aires, Hong Kong, Jersey, Johannesburg, Los Angeles, Luxembourg, Madrid, Melbourne, Mexico, Milan, New York, Paris, Rio de Janeiro, Singapore, Tehran, Tokyo and Zurich.

## ELECTRABEL

Exchange offer on BF19,870,325,000 privately placed debt issued in the name of EBES, Intercom, Unerg, Sautrac & AGM for

- Electrabel 74% due 1998
- Electrabel 74% due 2000
- Electrabel 74% due 2003

with 86% of the outstanding amount being exchanged.

Lead managers  
Generale Bank J.P. Morgan

The undersigned acted as arranger for Electrabel in this transaction.

**JPMorgan**

30 April 1993 This announcement appears as a matter of record only.











## COMPANY NEWS: UK AND IRELAND

Exceptional charge and recession in UK leaves losses of £8.3m

## Hi-Tec retraces growth steps

By Angus Foster

Hi-Tec Sports, the sports and leisure wear company, yesterday announced that mounting losses and recession had forced it to close its recently expanded continental European sales network.

The closure of the network, mainly built up with the proceeds of a £10.3m rights issue last year, led to exceptional costs of £4.82m leaving pre-tax losses for the year to January 31 at £8.3m, compared with profits of £9.05m.

Mr Frank van Wessel, chairman, said Hi-Tec would revert to using distributors. "It means in Europe we will have less clout, which hurts me."

He claimed the closure lay behind the sudden resignation in March of two recently appointed non-executive directors, Sir Michael Edwards, former chairman of British Leyland, and Mr Richard Penhalls, former chief executive of Henry Ansbacher.

Mr van Wessel said the two pair, who joined in January,

wanted to close the loss making network immediately while he wanted more time. "We had different expectations from each other," he said, adding that he was now convinced immediate closure was the right course.

Losses in the UK and Europe were also blamed for the turn down into losses. Turnover fell from £127.8m to £106.9m. At the interim stage, pre-tax losses of £2.84m compared to a £3.74m profit.

In the year the UK was worst hit, recording operating losses of £1.58m (profit £5.88m) due to depressed consumer spending, like cutting by competitors like Nike and Reebok and redundancy costs.

However North America performed well increasing operating profits by 24 per cent to £2.4m, helped by sales of rugged outdoor products.

Losses per share were 18.8p (earnings 16.1p). The proposed final dividend is cut to 1p to give a total for the year of 2p (5.9p).

Hi-Tec also announced the



Frank van Wessel: hurt by having less clout in Europe

appointment as non-executive director of Mr John Sharkey, chairman of BDDP (UK), and Mr Roger Rowland, until recently chairman of Lambert Howarth.

## COMMENT

Hi-Tec has taken care to bring forward all the bad news, and will no doubt wish to forget last year. But shareholders are unlikely to be so accommodating, especially since proceeds from the rights issue have now been lost in Europe, and the shares have since collapsed from nearly 200p to 40p yesterday. At least this year the UK should return to profit, helped by improving margins, and the US looks firm. Pre-tax profits should recover to £4m or £5m. But the reasons for avoiding the shares remain compelling, and include a dominant chairman with more than 50 per cent of the shares, barely transparent accounts and lingering questions about the sudden departure of non-executives and other senior officers. Finally, switching back to distributors in Europe could further dent Hi-Tec's brand name and puts its European strategy on hold pending another review once the three year distribution contracts end.

## CSI chief received £366,100 pay-off

By Paul Taylor

MR ROBIN BINKS, chief executive of Cannon Street Investments for only 15 months was paid a total of £366,100 last year, according to the latest accounts.

Mr Binks had joined the board from SG Warburg in November, 1990, and was made chief executive in December 1991. He was replaced last March by Mr David Smith, the management consultant who masterminded the Isoco bid for Gateway, the supermarket chain.

Although Mr Binks' departure was said to have been by mutual consent, the annual accounts published yesterday show that Mr Binks received £366,100, including £245,100 in cash, as a "termination settlement" in addition to his pay, for a total of £548,000.

During his tenure, Mr Binks reversed the strategy of his acquisition-minded predecessor, Mr Bill Hisslop, and made a series of disposals to reduce borrowings.

Last year the group realised more than £60m from asset sales, including £42m from the flotation of Avonside, the house-building group. In the process 14 operating units, spanning more than 50 companies, were cut to three.

However Mr Tom Long, chairman since May last year, decided that a change in chief executive was appropriate because the group had moved into the next phase of recovery and needed a chief executive with "operational skills".

Earlier this month Cannon Street reported a jump in pre-tax losses from £34.3m to £115.5m for the year to January 2, reflecting trading losses coupled with substantial goodwill write-offs and losses on sales and closures.

## BTR aims to seek further opportunities in China

Richard Gourlay

MR ALAN JACKSON, chief executive of BTR, said the joint ventures signed at the week-end with two Chinese provinces were the first of a number of commercial opportunities the industrial holding company hoped to enjoy in China.

He added, however: "We will be making sure that this one works first."

Mr Jackson was speaking from Australia after signing agreements to invest AS\$270m (£121m) over three years in two glass bottle plant joint ventures with China's Guangzhou and Shanghai Municipal governments.

"Guangzhou province has a population of 68m people and only one glass manufacturing plant," Mr Jackson said. "This is a wonderful opportunity to go into China."

BTR's 61 per cent-owned Australian subsidiary, BTR Nylex, will take a 70 per cent stake in the glass bottling ventures. The balance will be held by the respective municipal governments' Ministry of Light Industry.

The Chinese partners will be transferring existing assets and business of the bottling plants into the new joint venture. BTR will be importing any cash to the joint venture. Its investment will be AS\$5m in Shanghai and AS\$175m in Guangzhou.

Mr Jackson said BTR had had an option on the deal since last November and that he had travelled to China five times since the start of May to conclude the deal.

The Guangzhou plant has been established for 35 years. BTR will, however, immediately add four new glass manufacturing lines to the seven that exist. Combined with the redesign of bottle moulds and the production process, the investment will more than double the plant's capacity, Mr Jackson said.

At the moment the plant's managers have to ration the supply of bottles to its customers. Growth of beer consumption was very high and China had become the third largest consumer of beer in the world.

Glass and plastics packaging has been one of the engines for growth at BTR Nylex through its ACI packaging subsidiary which will be supplying a manager for the Chinese ventures.

The joint venture agreements state there will be no restriction of transmission of dividends. BTR will have a majority of members on the joint venture boards.

## Sharply reduced provisions help NHL cut deficit to £24m

By Richard Gourlay

NATIONAL HOME LOANS, one of the UK's largest mortgage lenders, reduced its interim losses after a sharp fall in the level of provisions.

Improvements in the arrears position and lower costs also contributed to a reduced £23.5m (£55.5m) pre-tax loss in the six months to end-March. Interest receivable fell from £110.9m to £90.8m.

Provisions were more than halved from £72.4m to £36.8m because house prices stabilised and the number of accounts in arrears fell.

Some 4,600 of NHL's 52,000 accounts are now in arrears compared with about 6,000 a year ago, according to Mr Jonathan Perry, chairman.

Following the loss in this

period, NHL has negative shareholders funds of £14.5m.

The group will not be paying a dividend on its 7.5 per cent convertible preference shares. A total of £12.9m of preference dividend is now in arrears.

Following a year of debt restructuring, NHL had now stabilised its finances and was looking at how to rebuild its business, Mr Perry said.

NHL's house lending business was decimated in the fall-out from the late 1980s housing boom. Rapid growth meant its portfolio was not strong enough to survive the subsequent collapse.

Mr Perry said NHL had facilities which made it one of the country's best collectors of arrears. The intention was to put more volume through this system and NHL was considering

purchasing a portfolio of home loans from companies withdrawing from the market or managing the portfolios of others.

Mr Perry repeated his view that NHL "had the prospect of reporting a significantly reduced loss for the current financial year and of returning to profitability in the future."

The National Mortgage Bank, the banking subsidiary, continued to be run down.

Mr Perry said that £1.7bn of assets under management were off balance sheet in special purpose securitised companies which were expected to be a significant contributor to the future performance of the group. The group managed £2.4bn of mortgage assets at the end of March, down 3 per cent over the last 13 months.

## Forte pay committee under spotlight

By Michael Skapinker, Leisure Industries Correspondent

FORTE shareholders yesterday asked whether Sir Anthony Tennant was an appropriate person to chair the group's remuneration committee after the controversy surrounding his own pay increase.

Sir Anthony, the retiring chairman of Guinness, received a 24 per cent salary rise in his last year, excluding bonuses, taking his pay to £777,000.

One shareholder was applauded at Forte's annual general meeting when he noted the presence of Sir Anthony and Sir Paul Girolami, Glaxo chairman, on the Forte remuneration committee and asked: "Would these people have a realistic idea of what is a fair reward for directors?"

The two were appointed to the Forte board last year. Sir Paul received £1.19m from Glaxo in 1992.

Mr Rocco Forte, Forte chairman, strongly defended both

non-executive directors. He said of Sir Anthony: "It's very unfair to raise the issue. He deserves every penny." He said of Sir Paul: "If we manage to achieve in this company what Glaxo has achieved, I don't think you would begrudge me that salary."

Mr Forte, who added the title of chairman to his previous role of chief executive last October, received £251,934 last year, compared with £249,721 the previous year. Mr Forte waived an additional £56,000

last year and £48,000 the year before.

Mr Forte also defended a £175,000 incentive payment to Mr Gary Hawkes, managing director of the Gardner Merchant contract catering subsidiary which was sold last December.

Mr Forte said the payment was a reward for Mr Hawkes keeping the business going, maintaining morale and retaining customers during the protracted negotiations leading up to the sale.

## National advertising boosts Radio Clyde

By Catherine Milton

RADIO Clyde Holdings, the USM-quoted broadcaster, lifted half-year pre-tax profits from £54,000 to £153,000 as national advertising revenue grew rapidly. The rise was helped by the adoption of FRS 3 and the restatement of last year's figure.

Exceptional gains totalled £273,000 including the release of a prior year's provision, against charges of £270,000. The company said exceptional credits for the full-year would reach £515,000.

Turnover improved to £7,062m (£6,523m) in the six months to March 31 with advertising and sponsorship at 90 per cent of sales. Local revenue, which made up two-thirds of the income, rose 4 per cent while national revenue increased by 20 per cent.

Mr John Bowman, finance director, said: "Local revenue is at a record level for us. National revenue is recovering from the sharp drops we have

seen recently." The company noted that advertising revenue could be volatile, but said trading since the half-way stage showed "satisfactory growth".

Operating profits rose to £1,155m (£970,000). Net interest received fell to £98,000 (£143,000) reflecting the drop in interest rates. The company had £3,062m (£2,722m) cash, having generated £568,000 from operating activities.

Radio Clyde has committed £180,000 for its 40 per cent stake in Carlsberg Radio which went on the air in April, in an area "largely unserved by independent radio".

The company has also decided to take a leading stake in a consortium application for the North-West regional licence. If successful the company will put in £840,000 towards starting up the station.

The board declared an interim dividend of 3.5p (3.25p), from earnings per share of 13p (5.4p).

## Specialeyes £2.3m in red and raising £1.4m

SPECIAL EYES, the

USM-quoted optical retailer, which saw substantial board changes last year, yesterday finally produced its results for the 78 week period to November 28 1992. Pre-tax losses totalled £2.27m.

At the same time it announced it was raising £1.4m net through the issue of £1.55m nominal of 10 per cent convertible unsecured loan stock 2000 at par. The sum raised will be used to eliminate bank borrowings and supply funds for capital expenditure.

Mr Jim Power, chairman, said that the pre-placing of the rescue package was essential before Morison Stoneham, the auditor, would sign off the accounts on a going concern basis. He said he regretted the "very late" publication of the figures.

However he added that in many respects the hardest work was yet to come, pointing to the "weak financial controls and trading disciplines" that were a main factor behind Spe-

cialeyes' problems.

Having identified the flaws, they now had to be addressed, he said, adding, "retail is all about detail." The capital expenditure programme would initially be aimed at refurbishment of the stores and the introduction of electronic point of sale equipment, with its attendant benefits.

The pre-tax losses were struck after exceptional charges of £904,000 to cover the costs of closing six branches, and reducing Specialeyes' central overheads and head count. Mr Power said that £1m had been stripped out of the payroll, in large part through the departure of 15 middle managers, and four directors at Christmas.

Turnover in the 78 weeks was £26.9m and interest payable £222,000. Losses per share emerged at 14.16p. In the 53 weeks to June 1 1991, pre-tax profits had been £240,000, turnover £14.8m, interest payable £102,000, and earnings per share 2.3p.

## Tesco gets go-ahead for French buy

By Neil Buckley

Tesco, the UK grocery chain, will today proceed with the purchase of the 94-store Cateau chain in northern France, five months after it first announced the acquisition.

Tesco said the deal had been cleared by the regulatory authorities, and it would today acquire 93,713 ordinary shares at FF77,050 (£2835) a share, representing 51 per cent of Cateau's share capital, from the principal directors of Cateau, and certain other shareholders.

The UK retailer also submitted for approval by the French stock exchange a public offer for all outstanding preference shares, convertible bonds and warrants of Cateau.

It said it had received irrevocable undertakings to accept the offer from shareholders owning 163,266 preference shares, representing 20 per cent of the share capital.

The offer was FF7705 for each preference share, FF7705 per convertible bond, and FF7275 per warrant. The deal values Cateau at FF71.46bn.

Tesco confirmed its initial investment would not exceed 85 per cent of the company, or £148m, and it would finance the acquisition and offer from internal sources.

Tesco first announced the conditional acquisition of the family-owned chain last December, but had to wait until French treasury and EC approval had been received, and Cateau's accounts had been finalised.

## Securiguard attacks 'unwelcome' £59m bid

By Angus Foster

SECURIGUARD, the security and cleaning services company, has again dismissed the hostile £59.3m bid made last week by Rentokil Group, the environmental and property services company.

Securiguard said it was "unimpressed" by Rentokil's offer document, delivered to shareholders yesterday.

Mr Alan Baldwin, chairman of Securiguard, said the offer was "unwelcome and inadequate". He said the cash offer price of 270p a share was not "anywhere near" an acceptable price.

The 270p a share offer represented a 46 per cent premium to Securiguard's closing price

on Monday of 185p. Following Securiguard's rejection last week, its shares closed 19p above the offer price at 206p, and closed yesterday up 4p at 206p.

In a letter to Securiguard shareholders, Mr David Newbigging, chairman of Rentokil, repeated the company's offer to meet with Mr Baldwin.

Except for a phone call on the morning the bid was launched, there has been no contact between the two sides.

The understated tone of Rentokil's offer document, and both sides' refusal so far to criticise their opponents, has prompted some observers to comment that the bid has the flavour of a recommended rather than a hostile offer.

## Unigate buys back dairy and depots

Unigate is to buy Dairy Crest's Marshfield dairy located at Cardiff and four associated depots for £114.5m.

The dairy and three depots in south Wales - the other is at Marlborough - were part of Unigate until 1989 when they were sold to Dairy Crest as part of a package together with other dairy businesses in the Midlands and eastern counties.

MD Foods, based in Accrington, said yesterday that it had acquired Dairy Crest's milk business at Bamber Bridge, near Preston. No details of the consideration were given. As part of the integration of the businesses the Accrington dairy, which employs 350 people, will be closed. MD said the deal enlarged and consolidated its operations in the north-west and produced a stronger base for further development.

## N American Gas Trust assets rise

North American Gas Investment Trust reported a net asset value of 101.68p per share at April 30, compared with a figure of 98.32p a year earlier.

Net revenue for the nine months to the end of April advanced slightly from £487,000 to £495,000. Earnings per share came out at 1.31p, compared with 1.3p at the same stage of the 1991-2 year.

## 35% rise at Ocean Wilsons

OCEAN Wilsons Holdings, the tug operator and investment company, reported pre-tax profits 35 per cent ahead at £6.94m for 1992.

During the year the company moved to Bermuda, keeping its London listing, and the 1992 figures were prepared on a merger accounting basis. Comparative figures were for Ocean Wilsons (Holdings) and its subsidiaries.

Turnover was £106m (£77.4m) and attributable profits were £3.71m (£2.97m). The new company takes realised surpluses through the p&id account and the attributable figures included gains of £531,000 (£711,000).

Earnings came out at 9.34p (6.39p). A final gross dividend of 3p is recommended for a total payment of 4p (3.66p).

Net assets expanded over the year, from 71.44p to 83.63p, of which 59.91p (42.23p) related to the Brazilian interests, including the tug fleet.

## South Staffs Water up 18% to £10.3m

Profits of South Staffordshire Water Holdings rose from £8.74m to £10.3m pre-tax for the

year to end-March. The 18 per cent improvement was scored on the back of a 7 per cent increase in turnover to £51.7m.

After-tax profits worked through at £8.58m (£5.07m) of which 70 per cent will be reinvested to finance capital expenditure.

Earnings emerged at 155p (143p). A final dividend of 33p makes a 47p (40.2p) total.

## Possible expansion for Blackland Oil

Blackland Oil, the USM-quoted gas and oil exploration and production group, yesterday announced that it was in discussions which may lead to a substantial acquisition.

Full details would be announced as soon as practicable, the directors said.

## Partner found for Richmond venture

Richmond Oil & Gas, the struggling natural resources company which lost its main asset to creditors last year, has found an investment partner for its Siberian joint venture.

Northstar Energy, a Canadian company, has agreed to pay £1.15m (£740,000) for 85 per cent of Richmond Russia, the sole asset of which is a 39 per cent interest in Taloi, a joint venture with Krasnolensk Oil and Gas.

Northstar has also agreed to

find £18.5m in financing to equip the joint venture, and will procure funds in excess of \$50m to meet the project's foreign capital requirements.

Richmond has been struggling to find financing for the joint venture since the company hit problems selling its coal bed methane interests. Last year's accounts were qualified, with accountants Touche Ross saying that Richmond's ability to continue trading would depend on disposals.

## CIT finalises terms for CST

The China Investment Trust, which came to market earlier this year, has finalised the terms of its offers for CST Emerging Asia Trust.

Accepting holders of 1,000 CST ordinary shares will receive 634 CIT shares and 126 CIT warrants. Holders of 1,000 ordinary who elected to receive the cash alternative will receive £634.98 - or £3.498p for each CST share held.

An accepting holder of 1,000 CST warrants will receive 134 CIT ordinary shares and 26 warrants. Holders of 1,000 warrants who elected for the cash alternative will receive £134.98 - or 13.498p for each CST warrant held.

## Borthorpe expands with £1.5m purchase

Borthorpe Group has, through its Prothometer subsidiary, acquired Ashworth Instrumentation as a going concern from Sycamore Holdings. The purchase price is £1.5m cash.

Ashworth is a manufacturer and supplier of on-site moisture measurement equipment which, Borthorpe says, will complement the Prothometer range of electronic moisture measurement instruments.

## Possible bid for Harrison Industries

The board of Harrison Industries said it had noted the recent rise in its share price and stated that preliminary talks were being held with a potential purchaser which could lead to an offer being made for the company.

The board said it had been informed that any offer from this party would only be at a substantial discount to the market price. The shares closed 1.5p down at 6p.

## Downiebrae requests halt to dealing

Downiebrae Holdings, the Glasgow engineering group which announced on May 21 that it was in talks that could lead to a substantial acquisition, yesterday requested that its shares be temporarily suspended pending an announcement. At midday - the time of the suspension - the shares were quoted at 77p.

## Kingstream lapses bid for Plateau

Kingstream Resources, the small Australian exploration company, has lapsed its hostile bid for Plateau Mining.

Kingstream said this was because Plateau shareholders had passed a resolution approving the reversal into the UK company by Dixon Motor Holdings, a motor dealership in the north of England. The ownership of such a business was not compatible with the commercial objectives of Kingstream, it said.

On May 20, Kingstream had received acceptances in respect of 9.55 per cent of Plateau's share capital. No more acceptances had been received.

## Dublin confirms Telecom alliances

By Tim Coone in Dublin and Andrew Adams in London

THE IRISH government yesterday confirmed that it is seeking a strategic alliance for Telecom Eireann, its national telecommunications utility.

However it emphatically ruled out privatisation, following reports that Cable and Wireless, the telecommunications group, is negotiating for a 25 per cent stake.

C&W said that discussions were progressing "at a senior level, with a view to a possible strategic alliance or joint venture".

Privatisation is a political minefield in Ireland. The sensitivity of the issue was underlined yesterday by Mr Dick Spring, the deputy prime minister and leader of the Irish Labour party, who said that the sale of any of TE "would represent a breach of the programme of government".

This was a thinly-veiled warning to his Fianna Fail coalition partners that the Labour party might be prepared to leave the government on the issue.

Mr David Begg, the general secretary of the Communications Workers' Union also warned that his members would fight any efforts to privatise the company.

Mr Brian Cowen, minister for transport, energy and communications, said: "Privatisation is not on the agenda."

However he added that he had instructed TE to look for "strategic alliances or joint ventures... to maintain its position in a sector which is moving at an alarming and accelerating rate."

"The idea of the company standing alone in an international arena is something that I think would be questionable in the long term."

With a debt/equity ratio of about 250 per cent, and a telephone line penetration rate of only 31 per 100 people, TE is anxious for overseas investment and expertise.

Privatisation of state-owned telecommunications utilities is now commonplace outside Europe. Within the EC only the UK has yet privatised, but Greece is negotiating with overseas companies for the sale of a significant equity stake and most operators have been constituted as companies separate from the government, in some cases with a view to possible privatisation.

Both Mr Spring and Mr Begg have made it clear they were not opposed to TE entering into new joint ventures, but neither spelled out how the company might raise capital for such a move without giving a future partner a stake.

With its UK Mercury network, which now extends to Belfast, C&W has obvious attractions to TE as a partner or equity

holder. For C&W it would be in line with the company's policy of expanding from existing business centres. Apart from Mercury, its European business includes a 40 per cent stake in Tele2 of Sweden, the second national carrier, and leased line businesses in France, Italy and Germany.

TE has had a turbulent decade since its establishment in 1984, with four chairmen in the past two years. Mr Michael Smurfit resigned in September 1991 after it was revealed he had an interest in a company which was involved in selling a site on to TE for building its new headquarters.

His successor, Mr Brendan Hynes, was sacked after only six months, after a revolt by fellow directors upset by his "hands-on" management approach in dealing with overstaffing and lack of competitiveness. An acting chairman, Mr John Scanlan, was replaced last December by Mr Ron Bolger, a partner in a prominent Dublin accountancy firm.

The government's inept handling of recent privatisations, in particular that of Greenore the sugar, mulling and milling group, has made it even more difficult for the issue of future privatisations to be the subject of rational public debate.

Boosted by reports of the Irish deal, C&W's shares closed up 10p on the day at 724p.

| DIVIDENDS ANNOUNCED |                    |                    |                               |                      |                       |
|---------------------|--------------------|--------------------|-------------------------------|----------------------|-----------------------|
|                     | Current<br>payment | Date of<br>payment | Come-<br>panding<br>dividends | Total<br>for<br>year | Total<br>last<br>year |
| Carlton Corvins     | 7.4                | -                  | 6.7                           | -                    | 17                    |
| Harley Sports       | 11                 | -                  | 3.68                          | 2                    | 5.5                   |
| Janis Porter        | 3.2                | July 30            | 3                             | 4.7                  | 4.4                   |
| Ocean Williams      | 11                 | July 25            | 2.66                          | 4                    | 3.66                  |
| Edith Cliche S      | 1.5                | July 9             | 3.25                          | 4                    | 8.5                   |
| Edith S. Water      | 32                 | July 1             | 26.7                          | 47                   | 40.2                  |



### Angus Foster on the slower profits growth expected from the forthcoming results of the 10 privatised water companies

programmes starts to mount

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## Udokan mine agreement to be renegotiated

ble" in Russia's investment climate. The licence agreement stipulated that he appoint a world-class western company as project operator. This was what he expected to be Fluor Daniel, the US mining company which had helped draw up a pre-feasibility study on the Udokan deposit. But Mr Chuguevsky has begun talking to Australia's BHP, one of his competitors in the tender. He said he would appoint a project operator only after a feasibility study which would take more than a year.

One problem was that although foreign companies were keen to extract guarantees of tax concessions from the Russian government, these would not be forthcoming in advance. Five Russian enterprises have already undertaken to smelt the copper.

intends to take the latter complaint to the EC Commission in Brussels.

Yesterday the three-month lead price on the London Metal Exchange moved ahead by more than £9 to £274.625 a tonne after a fresh 6% year-long last Friday after LME warehouse stocks rose to a record 254,125 tonnes.

Mr Nick Moore, analyst with Ord Minnett, said the Metalcorp decision crystallised "the debilitating impact of eastern bloc shipments to the West".

Imports from these countries were a record 173,000 tonnes in 1992. Chinese exports were up

**Zinc: Regional mining costs**

Cash break-even costs, 1991 \$/t

90  
80  
70  
60  
50  
40  
30  
20  
10  
0

LINE 3-month price

0 1 2 3 4 5 6

Output in tonnes (mtd)

Asia Canada Latin America Australia US Europe Africa

Source: RTZ

**Resources and RTZ in North America.** The International Lead and Zinc Study Group predicts mine output will fall this year by 6 per cent or more from the 1992 level. But

|   | Close | Previous | High/Low |
|---|-------|----------|----------|
| <b>SOYABEANS \$6.00 10¢ min; cents/100 lb</b> |       |          |          |
| Jul   | 806/0 | 808/0    | 808/2    |
| Aug   | 805/0 | 809/2    | 807/4    |
| Sep   | 803/0 | 804/0    | 805/4    |
| Nov   | 802/2 | 805/8    | 808/0    |
| Dec   | 801/0 | 811/8    | 813/4    |
| Mar   | 817/0 | 817/2    | 819/0    |
| May   | 819/4 | 818/4    | 820/4    |
| July  | 819/0 | 819/2    | 821/0    |
| <b>SOYABEAN OIL \$0.00 10¢ min; cents/lb</b>  |       |          |          |
|   | Close | Previous | High/Low |
| Jul   | 21.40 | 21.41    | 21.58    |
| Aug   | 21.51 | 21.54    | 21.69    |
| Sep   | 21.51 | 21.54    | 21.69    |
| Oct   | 21.88 | 21.78    | 21.81    |
| Dec   | 22.08 | 22.00    | 22.15    |
| Mar   | 22.28 | 22.28    | 22.34    |
| May   | 22.35 | 22.28    | 22.34    |
| July  | 22.50 | 22.40    | 22.58    |

| JULY 22.65 0/0                       |       |          |          |
|--------------------------------------|-------|----------|----------|
|                                      | Close | Previous | High/Low |
| Jul                                  | 192.1 | 193.0    | 193.3    |
| Aug                                  | 191.7 | 191.8    | 191.9    |
| Sep                                  | 190.5 | 191.4    | 191.8    |
| Oct                                  | 190.1 | 191.2    | 191.4    |
| Nov                                  | 189.9 | 191.5    | 192.0    |
| Dec                                  | 189.3 | 192.0    | 192.5    |
| Jan                                  | 188.2 | 192.9    | 0        |
| Mar                                  | 189.7 | 0        | 193.9    |
| MAIZE 6,000 bu min; conts/500 bushel |       |          |          |
|                                      | Close | Previous | High/Low |
| Jul                                  | 227.2 | 228.2    | 227.6    |
| Aug                                  | 232.2 | 233.0    | 232.6    |
| Sep                                  | 230.0 | 230.2    | 230.0    |
| Oct                                  | 230.0 | 230.0    | 230.0    |
| Nov                                  | 234.0 | 233.4    | 233.6    |
| Dec                                  | 235.0 | 234.4    | 234.2    |
| Jan                                  | 237.0 | 236.0    | 236.0    |
| Sep                                  | 250.0 | 246.2    | 250.0    |
| WHEAT 5,000 bu min; conts/500 bushel |       |          |          |
|                                      | Close | Previous | High/Low |
| Jul                                  | 233.4 | 237.8    | 238.2    |
| Sep                                  | 237.0 | 238.6    | 239.0    |
| Oct                                  | 239.2 | 241.4    | 241.8    |
| Nov                                  | 315.2 | 311.4    | 312.2    |
| Dec                                  | 315.2 | 314.6    | 315.6    |
| Jan                                  | 315.2 | 316.4    | 316.0    |

| LIVE CATTLE 40,000 lbs. contracts |        |          |          |
|-----------------------------------|--------|----------|----------|
|                                   | Close  | Previous | High/Low |
| Jan                               | 76.00  | 75.875   | 76.075   |
| Jun                               | 73.175 | 73.025   | 73.475   |
| Aug                               | 73.175 | 74.075   | 73.975   |
| Dec                               | 74.75  | 74.75    | 74.675   |
| Feb                               | 73.825 | 73.650   | 73.925   |
| Apr                               | 74.75  | 74.650   | 74.75    |
| Jun                               | 71.00  | 71.000   | 71.000   |

| LIVE HOGS 40,000 lbs. contracts |        |          |          |
|---------------------------------|--------|----------|----------|
|                                 | Close  | Previous | High/Low |
| Jan                             | 82.875 | 82.500   | 83.000   |
| Jun                             | 51.975 | 51.500   | 52.500   |
| Aug                             | 60.100 | 49.925   | 60.100   |
| Dec                             | 44.250 | 43.850   | 44.125   |
| Feb                             | 44.800 | 44.800   | 44.800   |
| Apr                             | 44.800 | 44.825   | 44.950   |
| Jun                             | 43.800 | 43.800   | 43.850   |

| PORK BELLIES 40,000 lbs. contracts |        |          |          |
|------------------------------------|--------|----------|----------|
|                                    | Close  | Previous | High/Low |
| Jan                                | 42.850 | 43.000   | 43.250   |
| Jun                                | 41.075 | 41.575   | 41.575   |
| Aug                                | 41.825 | 41.800   | 42.000   |

هكذا من الأحرار



مركز من الأصيل

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CPU 314C-2 DP







**LONDON SHARE SERVICE**

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|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------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| 1970-71 | 1971-72 | 1972-73 | 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 | 1980-81 | 1981-82 | 1982-83 | 1983-84 | 1984-85 | 1985-86 | 1986-87 | 1987-88 | 1988-89 | 1989-90 | 1990-91 | 1991-92 | 1992-93 | 1993-94 | 1994-95 | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 | 2032-33 | 2033-34 | 2034-35 | 2035-36 | 2036-37 | 2037-38 | 2038-39 | 2039-40 | 2040-41 | 2041-42 | 2042-43 | 2043-44 | 2044-45 | 2045-46 | 2046-47 | 2047-48 | 2048-49 | 2049-50 | 2050-51 | 2051-52 | 2052-53 | 2053-54 | 2054-55 | 2055-56 | 2056-57 | 2057-58 | 2058-59 | 2059-60 | 2060-61 | 2061-62 | 2062-63 | 2063-64 | 2064-65 | 2065-66 | 2066-67 | 2067-68 | 2068-69 | 2069-70 | 2070-71 | 2071-72 | 2072-73 | 2073-74 | 2074-75 | 2075-76 | 2076-77 | 2077-78 | 2078-79 | 2079-80 | 2080-81 | 2081-82 | 2082-83 | 2083-84 | 2084-85 | 2085-86 | 2086-87 | 2087-88 | 2088-89 | 2089-90 | 2090-91 | 2091-92 | 2092-93 | 2093-94 | 2094-95 | 2095-96 | 2096-97 | 2097-98 | 2098-99 | 2099-00 | 2100-01 | 2101-02 | 2102-03 | 2103-04 | 2104-05 | 2105-06 | 2106-07 | 2107-08 | 2108-09 | 2109-10 | 2110-11 | 2111-12 | 2112-13 | 2113-14 | 2114-15 | 2115-16 | 2116-17 | 2117-18 | 2118-19 | 2119-20 | 2120-21 | 2121-22 | 2122-23 | 2123-24 | 2124-25 | 2125-26 | 2126-27 | 2127-28 | 2128-29 | 2129-30 | 2130-31 | 2131-32 | 2132-33 | 2133-34 | 2134-35 | 2135-36 | 2136-37 | 2137-38 | 2138-39 | 2139-40 | 2140-41 | 2141-42 | 2142-43 | 2143-44 | 2144-45 | 2145-46 | 2146-47 | 2147-48 | 2148-49 | 2149-50 | 2150-51 | 2151-52 | 2152-53 | 2153-54 | 2154-55 | 2155-56 | 2156-57 | 2157-58 | 2158-59 | 2159-60 | 2160-61 | 2161-62 | 2162-63 | 2163-64 | 2164-65 | 2165-66 | 2166-67 | 2167-68 | 2168-69 | 2169-70 | 2170-71 | 2171-72 | 2172-73 | 2173-74 | 2174-75 | 2175-76 | 2176-77 | 2177-78 | 2178-79 | 2179-80 | 2180-81 | 2181-82 | 2182-83 | 2183-84 | 2184-85 | 2185-86 | 2186-87 | 2187-88 | 2188-89 | 2189-90 | 2190-91 | 2191-92 | 2192-93 | 2193-94 | 2194-95 | 2195-96 | 2196-97 | 2197-98 | 2198-99 | 2199-00 | 2200-01 | 2201-02 | 2202-03 | 2203-04 | 2204-05 | 2205-06 | 2206-07 | 2207-08 | 2208-09 | 2209-10 | 2210-11 | 2211-12 | 2212-13 | 2213-14 | 2214-15 | 2215-16 | 2216-17 | 2217-18 | 2218-19 | 2219-20 | 2220-21 | 2221-22 | 2222-23 | 2223-24 | 2224-25 | 2225-26 | 2226-27 | 2227-28 | 2228-29 | 2229-30 | 2230-31 | 2231-32 | 2232-33 | 2233-34 | 2234-35 | 2235-36 | 2236-37 | 2237-38 | 2238-39 | 2239-40 | 2240-41 | 2241-42 | 2242-43 | 2243-44 | 2244-45 | 2245-46 | 2246-47 | 2247-48 | 2248-49 | 2249-50 | 2250-51 | 2251-52 | 2252-53 | 2253-54 | 2254-55 | 2255-56 | 2256-57 | 2257-58 | 2258-59 | 2259-60 | 2260-61 | 2261-62 | 2262-63 | 2263-64 | 2264-65 | 2265-66 | 2266-67 | 2267-68 | 2268-69 | 2269-70 | 2270-71 | 2271-72 | 2272-73 | 2273-74 | 2274-75 | 2275-76 | 2276-77 | 2277-78 | 2278-79 | 2279-80 | 2280-81 | 2281-82 | 2282-83 | 2283-84 | 2284-85 | 2285-86 | 2286-87 | 2287-88 | 2288-89 | 2289-90 | 2290-91 | 2291-92 | 2292-93 | 2293-94 | 2294-95 | 2295-96 | 2296-97 | 2297-98 | 2298-99 | 2299-00 | 2300-01 | 2301-02 | 2302-03 | 2303-04 | 2304-05 | 2305-06 | 2306-07 | 2307-08 | 2308-09 | 2309-10 | 2310-11 | 2311-12 | 2312-13 | 2313-14 | 2314-15 | 2315-16 | 2316-17 | 2317-18 | 2318-19 | 2319-20 | 2320-21 | 2321-22 | 2322-23 | 2323-24 | 2324-25 | 2325-26 | 2326-27 | 2327-28 | 2328-29 | 2329-30 | 2330-31 | 2331-32 | 2332-33 | 2333-34 | 2334-35 | 2335-36 | 2336-37 | 2337-38 | 2338-39 | 2339-40 | 2340-41 | 2341-42 | 2342-43 | 2343-44 | 2344-45 | 2345-46 | 2346-47 | 2347-48 | 2348-49 | 2349-50 | 2350-51 | 2351-52 | 2352-53 | 2353-54 | 2354-55 | 2355-56 | 2356-57 | 2357-58 | 2358-59 | 2359-60 | 2360-61 | 2361-62 | 2362-63 | 2363-64 | 2364-65 | 2365-66 | 2366-67 | 2367-68 | 2368-69 | 2369-70 | 2370-71 | 2371-72 | 2372-73 | 2373-74 | 2374-75 | 2375-76 | 2376-77 | 2377-78 | 2378-79 | 2379-80 | 2380-81 | 2381-82 | 2382-83 | 2383-84 | 2384-85 | 2385-86 | 2386-87 | 2387-88 | 2388-89 | 2389-90 | 2390-91 | 2391-92 | 2392-93 | 2393-94 | 2394-95 | 2395-96 | 2396-97 | 2397-98 | 2398-99 | 2399-00 | 2400-01 | 2401-02 | 2402-03 | 2403-04 | 2404-05 | 2405-06 | 2406-07 | 2407-08 | 2408-09 | 2409-10 | 2410-11 | 2411-12 | 2412-13 | 2413-14 | 2414-15 | 2415-16 | 2416-17 | 2417-18 | 2418-19 | 2419-20 | 2420-21 | 2421-22 | 2422-23 | 2423-24 | 2424-25 | 2425-26 | 2426-27 | 2427-28 | 2428-29 | 2429-30 | 2430-31 | 2431-32 | 2432-33 | 2433-34 | 2434-35 | 2435-36 | 2436-37 | 2437-38 | 2438-39 | 2439-40 | 2440-41 | 2441-42 | 2442-43 | 2443-44 | 2444-45 | 2445-46 | 2446-47 | 2447-48 | 2448-49 | 2449-50 | 2450-51 | 2451-52 | 2452-53 | 2453-54 | 2454-55 | 2455-56 | 2456-57 | 2457-58 | 2458-59 | 2459-60 | 2460-61 | 2461-62 | 2462-63 | 2463-64 | 2464-65 | 2465-66 | 2466-67 | 2467-68 | 2468-69 | 2469-70 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| 2670-71 | 2671-72 | 2672-73 | 2673-74 | 2674-75 | 2675-76 | 2676-77 | 2677-78 | 2678-79 | 2679-80 | 2680-81 | 2681-82 | 2682-83 | 2683-84 | 2684-85 | 2685-86 | 2686-87 | 2687-88 | 2688-89 | 2689-90 | 2690-91 | 2691-92 | 2692-93 | 2693-94 | 2694-95 | 2695-96 | 2696-97 | 2697-98 | 2698-99 | 2699-00 | 2700-01 | 2701-02 | 2702-03 | 2703-04 | 2704-05 | 2705-06 | 2706-07 | 2707-08 | 2708-09 | 2709-10 | 2710-11 | 2711-12 | 2712-13 | 2713-14 | 2714-15 | 2715-16 | 2716-17 | 2717-18 | 2718-19 | 2719-20 | 2720-21 | 2721-22 | 2722-23 | 2723-24 | 2724-25 | 2725-26 | 2726-27 | 2727-28 | 2728-29 | 2729-30 | 2730-31 | 2731-32 | 2732-33 | 2733-34 | 2734-35 | 2735-36 | 2736-37 | 2737-38 | 2738-39 | 2739-40 | 2740-41 | 2741-42 | 2742-43 | 2743-44 | 2744-45 | 2745-46 | 2746-47 | 2747-48 | 2748-49 | 2749-50 | 2750-51 | 2751-52 | 2752-53 | 2753-54 | 2754-55 | 2755-56 | 2756-57 | 2757-58 | 2758-59 | 2759-60 | 2760-61 | 2761-62 | 2762-63 | 2763-64 | 2764-65 | 2765-66 | 2766-67 | 2767-68 | 2768-69 | 2769-70 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| 2870-71 | 2871-72 | 2872-73 | 2873-74 | 2874-75 | 2875-76 | 2876-77 | 2877-78 | 2878-79 | 2879-80 | 2880-81 | 2881-82 | 2882-83 | 2883-84 | 2884-85 | 2885-86 | 2886-87 | 2887-88 | 2888-89 | 2889-90 | 2890-91 | 2891-92 | 2892-93 | 2893-94 | 2894-95 | 2895-96 | 2896-97 | 2897-98 | 2898-99 | 2899-00 | 2900-01 | 2901-02 | 2902-03 | 2903-04 | 2904-05 | 2905-06 | 2906-07 | 2907-08 | 2908-09 | 2909-10 | 2910-11 | 2911-12 | 2912-13 | 2913-14 | 2914-15 | 2915-16 | 2916-17 | 2917-18 | 2918-19 | 2919-20 | 2920-21 | 2921-22 | 2922-23 | 2923-24 | 2924-25 | 2925-26 | 2926-27 | 2927-28 | 2928-29 | 2929-30 | 2930-31 | 2931-32 | 2932-33 | 2933-34 | 2934-35 | 2935-36 | 2936-37 | 2937-38 | 2938-39 | 2939-40 | 2940-41 | 2941-42 | 2942-43 | 2943-44 | 2944-45 | 2945-46 | 2946-47 | 2947-48 | 2948-49 | 2949-50 | 2950-51 | 2951-52 | 2952-53 | 2953-54 | 2954-55 | 2955-56 | 2956-57 | 2957-58 | 2958-59 | 2959-60 | 2960-61 | 2961-62 | 2962-63 | 2963-64 | 2964-65 | 2965-66 | 2966-67 | 2967-68 | 2968-69 | 2969-70 | 2970-71 | 2971-72 | 2972-73 | 2973-74 | 2974-75 | 2975-76 | 2976-77 | 2977-78 | 2978-79 | 2979-80 | 2980-81 | 2981-82 | 2982-83 | 2983-84 | 2984-85 | 2985-86 | 2986-87 | 2987-88 | 2988-89 | 2989-90 | 2990-91 | 2991-92 | 2992-93 | 2993-94 | 2994-95 | 2995-96 | 2996-97 | 2997-98 | 2998-99 | 2999-00 | 3000-01 | 3001-0 |
|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------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## هكذا من الأحرار



| Old<br>Price | New<br>Price | + or<br>- | Yield<br>Gross |
|--------------|--------------|-----------|----------------|
| 182.88       | 182.51       | +0.12     | --             |
| 191.5        | 193.76       | +0.56     | --             |
| 212.75       | 222.84       | +10.14    | --             |
| 202.21       | 212.87       | +1.76     | --             |
| 105.92       | 174.85       | +1.17     | --             |
| 212.39       | 223.57       | +1.98     | --             |

## OTHER UK UNIT TRUSTS

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FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4376 for more details.

Table with 4 columns: Fund Name, Price, Change, and Date. Includes funds like Jersey (Regulated), Jersey (Unregulated), and Jersey (Unregulated) with various sub-funds.

JERSEY (REGULATED)

Table with 4 columns: Fund Name, Price, Change, and Date. Includes funds like Jersey (Regulated), Jersey (Unregulated), and Jersey (Unregulated) with various sub-funds.

Table with 4 columns: Fund Name, Price, Change, and Date. Includes funds like Jersey (Regulated), Jersey (Unregulated), and Jersey (Unregulated) with various sub-funds.

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Table with 4 columns: Fund Name, Price, Change, and Date. Includes funds like Jersey (Regulated), Jersey (Unregulated), and Jersey (Unregulated) with various sub-funds.

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## FOREIGN EXCHANGES

## Dollar up on rate speculation

SPECULATION about a tightening in US interest rates pushed up the dollar against a D-Mark weakened by increasing signs of economic slowdown in Germany, writes Peter Marsh.

The French franc traded comfortably, in spite of a further cut in French interest rates which promises to head off the possibility of a further faltering in economic activity. Sterling gained against the D-Mark but lost ground against a dollar strengthened by a newspaper report that the US Federal Reserve might soon raise interest rates to damp inflationary pressures.

Meanwhile the D-Mark continued to sag, as investors weighed up the possibility of a deep recession in the German economy this year. In spite of the Bundesbank sounding the usual messages that it will think long and hard before cutting interest rates further, many in financial markets think a steady easing in borrowing conditions in Germany is assured in the coming months.

The dollar climbed nearly 1 penny on the day against the German currency, closing in London at DM1.6365. Investors took profits after the US cur-

rency climbed during European trading to just under DM1.64. Hitting the headlines in a quiet day's trading was the decision by the French government to cut the Bank of France's intervention rate to 7.5 per cent from 7.75 per cent. The French franc traded at FF3.3665 per D-Mark after the news, from FF3.3661 earlier. It closed at 3.365, little changed on the day.

Sentiment about the outlook for the D-Mark was helped somewhat by tough comments from Mr Theo Waigel, the German finance minister, about the government taking "decisive action" next year to cut its mounting budget deficit. However, that failed to prevent the yen hitting another new high against the German currency. It closed at ¥167.37 per D-Mark, compared to ¥167.50 on Friday night.

The guilder also hit a five-year peak against the D-Mark, closing at 1.545, up from 1.540 on Friday.

being quoted in London last night at NF1.119 per D-Mark. There was strong speculation that the Dutch monetary authorities might soon decide on a further bout of interest rate easing.

After the pound's 4 penny rise against the German currency last week, it continued its rise yesterday, closing in London at DM2.5125, up half a penny. Against the dollar sterling closed in European hours at \$1.5350, just over half a cent down on the day.

Foreign exchange dealers took little notice of a European Community report over the weekend approving the idea of new checks to stop a repeat of last year's currency crisis. However, the absence of significant strains in the European exchange rate mechanism pushed the ecu slightly firmer at the top of the grid. It closed at Ec\$4.60 per D-Mark versus Ec\$4.60 at the close on Friday.

## FINANCIAL FUTURES AND OPTIONS

| LEFT HAND SIDE PRICES OFFERS |      |      |      |      |      |      |      |      |      |
|------------------------------|------|------|------|------|------|------|------|------|------|
| 250,000 units of 100%        |      |      |      |      |      |      |      |      |      |
| Strike                       | Call | Put  | Call | Put  | Call | Put  | Call | Put  | Call |
| Price                        | Dec  | Jan  | Feb  | Mar  | Apr  | May  | Jun  | Jul  | Aug  |
| 101                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 102                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 103                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 104                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 105                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 106                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 107                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 108                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 109                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 110                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |

| LEFT HAND SIDE PRICES OFFERS |      |      |      |      |      |      |      |      |      |
|------------------------------|------|------|------|------|------|------|------|------|------|
| 250,000 units of 100%        |      |      |      |      |      |      |      |      |      |
| Strike                       | Call | Put  | Call | Put  | Call | Put  | Call | Put  | Call |
| Price                        | Dec  | Jan  | Feb  | Mar  | Apr  | May  | Jun  | Jul  | Aug  |
| 101                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 102                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 103                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 104                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 105                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 106                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 107                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 108                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 109                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 110                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |

| LEFT HAND SIDE PRICES OFFERS |      |      |      |      |      |      |      |      |      |
|------------------------------|------|------|------|------|------|------|------|------|------|
| 250,000 units of 100%        |      |      |      |      |      |      |      |      |      |
| Strike                       | Call | Put  | Call | Put  | Call | Put  | Call | Put  | Call |
| Price                        | Dec  | Jan  | Feb  | Mar  | Apr  | May  | Jun  | Jul  | Aug  |
| 101                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 102                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 103                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 104                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 105                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 106                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 107                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 108                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 109                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 110                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |

| LEFT HAND SIDE PRICES OFFERS |      |      |      |      |      |      |      |      |      |
|------------------------------|------|------|------|------|------|------|------|------|------|
| 250,000 units of 100%        |      |      |      |      |      |      |      |      |      |
| Strike                       | Call | Put  | Call | Put  | Call | Put  | Call | Put  | Call |
| Price                        | Dec  | Jan  | Feb  | Mar  | Apr  | May  | Jun  | Jul  | Aug  |
| 101                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 102                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 103                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 104                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 105                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 106                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 107                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 108                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 109                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 110                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |

| LEFT HAND SIDE PRICES OFFERS |      |      |      |      |      |      |      |      |      |
|------------------------------|------|------|------|------|------|------|------|------|------|
| 250,000 units of 100%        |      |      |      |      |      |      |      |      |      |
| Strike                       | Call | Put  | Call | Put  | Call | Put  | Call | Put  | Call |
| Price                        | Dec  | Jan  | Feb  | Mar  | Apr  | May  | Jun  | Jul  | Aug  |
| 101                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 102                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 103                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 104                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 105                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 106                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 107                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 108                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 109                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 110                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |

| LEFT HAND SIDE PRICES OFFERS |      |      |      |      |      |      |      |      |      |
|------------------------------|------|------|------|------|------|------|------|------|------|
| 250,000 units of 100%        |      |      |      |      |      |      |      |      |      |
| Strike                       | Call | Put  | Call | Put  | Call | Put  | Call | Put  | Call |
| Price                        | Dec  | Jan  | Feb  | Mar  | Apr  | May  | Jun  | Jul  | Aug  |
| 101                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 102                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 103                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 104                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 105                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 106                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 107                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 108                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 109                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 110                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |

| LEFT HAND SIDE PRICES OFFERS |      |      |      |      |      |      |      |      |      |
|------------------------------|------|------|------|------|------|------|------|------|------|
| 250,000 units of 100%        |      |      |      |      |      |      |      |      |      |
| Strike                       | Call | Put  | Call | Put  | Call | Put  | Call | Put  | Call |
| Price                        | Dec  | Jan  | Feb  | Mar  | Apr  | May  | Jun  | Jul  | Aug  |
| 101                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 102                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 103                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 104                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 105                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 106                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 107                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 108                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 109                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 110                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |

| LEFT HAND SIDE PRICES OFFERS |      |      |      |      |      |      |      |      |      |
|------------------------------|------|------|------|------|------|------|------|------|------|
| 250,000 units of 100%        |      |      |      |      |      |      |      |      |      |
| Strike                       | Call | Put  | Call | Put  | Call | Put  | Call | Put  | Call |
| Price                        | Dec  | Jan  | Feb  | Mar  | Apr  | May  | Jun  | Jul  | Aug  |
| 101                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 102                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 103                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 104                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 105                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 106                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 107                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 108                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 109                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |
| 110                          | 2.25 | 2.41 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 | 1.01 |

|                              |      |      |      |      |
|------------------------------|------|------|------|------|
| LEFT HAND SIDE PRICES OFFERS |      |      |      |      |
| 250,000 units of 100%        |      |      |      |      |
| Strike                       | Call | Put  | Call | Put  |
| Price                        | Dec  | Jan  | Feb  | Mar  |
| 101                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 102                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 103                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 104                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 105                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 106                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 107                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 108                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 109                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 110                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 111                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 112                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 113                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 114                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 115                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 116                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 117                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 118                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 119                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 120                          | 2.25 | 2.41 | 1.01 | 1.01 |
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| 122                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 123                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 124                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 125                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 126                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 127                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 128                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 129                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 130                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 131                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 132                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 133                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 134                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 135                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 136                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 137                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 138                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 139                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 140                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 141                          | 2.25 | 2.41 | 1.01 | 1.01 |
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| 143                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 144                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 145                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 146                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 147                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 148                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 149                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 150                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 151                          | 2.25 | 2.41 | 1.01 | 1.01 |
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| 154                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 155                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 156                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 157                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 158                          | 2.25 | 2.41 | 1.01 | 1.01 |
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| 161                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 162                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 163                          | 2.25 | 2.41 | 1.01 | 1.01 |
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| 167                          | 2.25 | 2.41 | 1.01 | 1.01 |
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| 172                          | 2.25 | 2.41 | 1.01 | 1.01 |
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| 320                          | 2.25 | 2.41 | 1.01 | 1.01 |
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| 351                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 352                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 353                          | 2.25 | 2.41 | 1.01 | 1.01 |
| 354                          | 2.25 | 2.41 | 1.01 | 1.01 |
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| 356                          | 2.25 | 2.41 |      |      |







**4 pm close May 24**

Continued on next page

مكتبة الأصيل







AMERICA

# US stocks rise on lower bond yields and gold

Wall Street

A FALL in longer-dated bond yields and lower gold prices helped US stocks post modest gains yesterday morning, in spite of reports that the Federal Reserve has shifted the emphasis of monetary policy toward a raising of interest rates, writes Patrick Harverston in New York.

At 1 pm, the Dow Jones Industrial Average was up 10.52 at 3,503.35. The more broadly based Standard & Poor's 500 was up 1.08 at 446.92, while the Amex composite was 0.62 lower at 432.24, and the

SAO Paulo was some 2.3 per cent higher at midsession on reports that Brazil had reached an accord with creditor banks on the restructuring of their bond options to reschedule the \$4.4bn foreign debt. The Bovespa index was up 78 at 33,936. Prospects of lower interest rates also provided support after Mr Fernando Henrique Cardoso, the new economy minister, said that monetary policy will continue to aim at cutting rates.

Nasdaq composite up 0.59 at 894.88. NYSE trading volume was 117m shares by 1 pm.

After last week's wild gyrations, the markets opened amid a considerable degree of confusion and uncertainty about the near-term outlook for stocks. That outlook appeared to darken yesterday morning when newspaper reports said that the Fed's policy-making Open Market Committee had voted at its meeting last week to prepare for a possible increase in short-term interest rates because of growing concern about the threat of revived inflation.

The suggestion that short-term rates would go higher would normally derail equity market sentiment. Yet, after last Friday's 30-point decline, investors were

inclined to buy. A rise in bond prices, which brought down long yields, helped, as did a fall in gold prices. A series of computerised buy programs also contributed to the early advance. After posting a 21-point gain mid-morning, however, the Dow slipped back from its highs in early afternoon trading.

Among individual stocks, Kellogg dropped 82¢ to \$53 in busy trading after the company said that it expected second quarter earnings to come in about 10 per cent below the 68 cents a share earned at the same stage of 1992. Quaker Oats, down 51¢ at \$7.25, fell in sympathy.

Some big computer stocks were in fine form in the wake of recent surprisingly good figures from Hewlett-Packard. IBM rose 1 1/4 to \$49 1/2, Hewlett-Packard 1 1/4 to \$85 1/2, and Motorola 3 1/4 to \$79 1/2. Others in the sector, however, did not fare so well. Unisys slipped 3/4 to \$11 1/4. Digital Equipment gave up 3/4 at \$46 and Compaq lost 3/4 at \$57 1/2.

On the Nasdaq market, Amgen fell 3/4 to \$36 1/2 in volume of 2.5m shares after the brokerage house, Hambrecht & Quist, lowered its rating on the California biotechnology company's stock from "hold" to "sell".

Jacobson Stores fell 3/4 to \$13 on news of a sharp drop in first quarter earnings.

● CANADA was closed for a public holiday yesterday. GOLD stocks put on a further 5 per cent in active trading with most of the interest again coming from foreign investors. The index advanced 91 to 1,585 with some of the biggest gains coming from smaller mining groups. Doors, for instance, jumped by \$1.30, or 24.4 per cent to \$6.15.

The industrial index rose 15 to 4,526 and the overall gained 46 to 4,032.

EUROPE

# Paris rallies late on seventh interest rate cut

FISCAL easing, or the prospect of it, affected a number of bourses yesterday, writes Our Markets Staff.

PARIS took time to react to a further cut in domestic interest rates, the seventh since the new administration took office, but a late rally saw the CAC-40 index gain 24.5 or 1.3 per cent to 1,861.37. Turnover was some Ffr2.4bn on the first day of the new account.

The rate cut came as a surprise. Most market participants had not been expecting a further decline until a fresh move is made by the Bundesbank. However, the recent strength of the franc enabled the central bank to go ahead.

Weekend reports that the government plans to extend privatisation candidates to include, among others, Renault and Uniper, the steel group, also lifted sentiment.

Among the day's most active stocks, Total benefited from news that oil tests in Colombia have been successful. The shares advanced Ffr13 to

FFr262. The report helped Elf which gained Ffr5.30 to Ffr574.

Peugeot went against the trend, down Ffr5 to Ffr525, after Mr Jacques Calvet, its chairman, forecast that French new car sales will show an even sharper slowdown in May than in April.

FRANKFURT was short of upbeat news, and unhappy with the corporate stories it did hear, Volkswagen falling DM4.90 to DM313.50, and VEW DM7 to DM256 among second liners. The DAX ended 7.48 lower at 1,803.09 in turnover down from DM5.4bn to DM4.7bn.

VM, still relatively close to the 1993 high it hit on the appointment of Mr Ignacio Lopez, the former General Motors cost-cutter, and its prospects for corporate restructuring, fell on profit-taking and the legal row between GM and Mr Lopez over the alleged removal of company documents.

VEW, the German utility

## FT-SE Actuaries Share Indices

| Hourly changes      | Open    | 10.30   | 11.00   | 12.00   | 13.00   | 14.00   | 15.00   | Close   |
|---------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| FT-SE Eurotrack 100 | 1154.12 | 1154.96 | 1155.26 | 1155.74 | 1155.54 | 1155.37 | 1155.92 | 1156.98 |
| FT-SE Eurotrack 200 | 1215.30 | 1214.29 | 1214.67 | 1213.38 | 1214.97 | 1214.83 | 1215.18 | 1217.42 |
| May 21              | May 20  | May 19  | May 18  | May 17  |         |         |         |         |
| FT-SE Eurotrack 100 | 1155.78 | 1156.03 | 1147.97 | 1152.98 | 1146.07 |         |         |         |
| FT-SE Eurotrack 200 | 1215.46 | 1220.18 | 1212.27 | 1217.75 | 1214.06 |         |         |         |

heavily committed to gas-fired electricity production, and thought to be a prospect for strategic gains in fuel supply, dropped from last week's 1993 high of DM267 as flat profits were accompanied by an unchanged dividend.

AMSTERDAM was lifted by strength in Wall Street and a recovery in Unilever, up F12.80 at F119.50 after last week's suggestions of a downturn in the European food sector.

The CBS Tendency index rose 0.6 to 105.1. Heineken was another winner, up F1.20 to F117.90, while the publishing sector was weaker as some

Comit index fell a marginal 1.21 to 577.24.

Fondriaria, the insurance group, put on L922 to L30,215 in spite of denying weekend press reports that it might be sold.

Fiat, which is due to announce 1992 results next Monday, gained L50 to L4,625 on the kerf.

Other movers included Montedison, up L9 to L1,170 and Banca Commerciale Italiana which rose L89 to L5,555.

MADRID reported interest rate hopes, and futures-inspired buying which kept the general index in respectable territory, up 0.34 to 256.67 as turnover eased from Ptas2.3bn to Ptas1.6bn. Banesto fell Ptas30 to Ptas1,175 after the weekend news that it would pass its final dividend for 1992, and seek a New York stock exchange listing after a pending Ptas130bn (\$1.04bn) capital raising operation.

BRUSSELS saw large declines in banking stocks as the Bel-20 index fell 8.56 to

1,204.65. Turnover, at around Bfr1.8bn, was enhanced by heavy trade in the electricity utility, Electrabel, which fell Bfr90 to Bfr6,100 in 44,100 shares.

Analysts blamed profit-taking as the banking sector fell by over 1 per cent. Generale de Banque ended Bfr140 lower at Bfr7,500. Kredietbank Bfr100 at Bfr6,500 and Bruxelles Lambert Bfr60 at Bfr3,600.

STOCKHOLM could not sustain Friday's strong advance as both Astra and Ericsson weakened. The Affarsvarden general index lost 5.3 to 1,087.4 in turnover of SKr1bn.

Ericsson B shares, which accounted for some SKr170m of total turnover, slipped SKr4 to SKr316 while Astra was off SKr3 to SKr738.

OSLO's all-share index fell 2.17 to 474.91, but the market showed an upward trend just before the close after the central bank announced that it was cutting its key overnight lending rate from 7.75 to 7.50 per cent.

ASIA PACIFIC

# Hong Kong improves by another 1.5% ahead of talks

Tokyo

EQUITIES fell in the final minutes of trading as stock index futures contracts weakened and investment trust fund purchases lost momentum, writes Wayne Aponia in Tokyo.

The 225-issue average ended 81.31 lower at 20,476.57 after trading between 20,453.57 and 20,891.20. The Toxix index of all first section issues slipped 2.43 at 1,610.59 and, in London, the ISE/Nikkei 50 index rose 2.33 to 1,241.69.

Volume was 400m shares compared to Friday's 435m. Advances equaled declines at 505, with 188 issues unchanged. Brokers said that favourable money supply data for April, released after Friday's close, which showed a 0.6 per cent rise from the previous year, kept activity firm early in the session.

However, clearer signs of an economic recovery are needed to motivate investors to enter

the market. "We need more good figures," said Mr Ryoji Tanaka, head of Japanese equity trading at Kidder Peabody International. But investors should become more confident about entering the market as the end of the earnings results season approaches, he noted.

Technical analysts predict that the Nikkei average's short-term range will remain between 20,250 to 20,800 in the absence of incentives.

Good earnings results encouraged market participants to buy shares in the shipbuilding sector. Mitsubishi Heavy Industries, the day's most active issue, rose Y1 to Y365, Hitachi Zosen Y8 to Y809 and Mitsui Engineering and Shipbuilding Y2 to Y477.

Non-ferrous metals stocks continued to rise in tandem with the gains in the gold price overseas. Mitsui Mining and Smelting put on Y19 to Y683, Dowa Mining Y7 to Y687 and

Mitsubishi Materials Y6 to Y521.

Nippon Telegraph and Telephone rose after it filed for government approval to increase the charge rate of public telephones on Friday. The shares rose Y18,000 to Y858,000.

In Osaka, the OSE average ended 22.49 higher at 2,745.07, in volume of 23.4m shares.

Roundup

APART from another impressive performance from Hong Kong the region was generally muted.

HONG KONG continued its record run, the Hang Seng index rising 106.43 or 1.5 per cent to 7,278.39 in turnover of HK\$4.7bn.

The announcement of the fourth round of Sino-British talks scheduled for Friday encouraged buying, some commentators noting 25 points. Hutchison Whampoa and Cheung Kong topped the active

list, rising HK\$1.10 and 30 cents respectively to HK\$21.90 and HK\$26.00.

Investors were also seen switching into utilities: HK Telecom rose 30 cents to HK\$11.50 while China Light added HK\$1.25 to HK\$33.75.

SINGAPORE fell back but some observers commented that overall sentiment remains positive. The Straits Times industrial index lost 6.71 to 1,855.15 in turnover of S\$462m.

Amcol Holdings jumped 31 cents to S\$3.38 after giving details of its involvement in an Indonesian satellite project.

SEOUL was slightly firmer for the seventh consecutive session in spite of some profit-taking which erased an early 6 point gain. The composite index added 0.57 to 739.91 in turnover of Won706.8bn.

TAIWAN reversed early gains to close lower on late selling. The weighted index, which had risen 25 points, shed 26.51 lower at 4,288.52, its fifth straight fall. Turnover

was T\$15.3bn, the lowest in a full session since January.

Conflict within the ruling Nationalist party and recent poor economic data, including a cut in this year's official GNP forecast, continued to affect sentiment.

However, Hualon, the textile group, went against the trend, gaining 80 cents to T\$31.10 on reports that a consortium of local banks had agreed a loan arrangement of T\$3bn.

MANILA moved slightly ahead although activity was reported to have been subdued. The composite index rose 5.61 to 1,677.71 in turnover of 302.4m pesos. Philippine National Bank was among the day's biggest gainers, rising 5 pesos to 249.

KUALA LUMPUR fell back on profit-taking, the composite index losing 4.87 to 724.48. Volume declined sharply to 43m shares against Friday's 642m.

Among the active Tanjong shed 70 cents to M\$13.40. AUSTRALIA slipped towards

the close in spite of a strong performance by gold stocks.

The All Ordinaries index lost 10.1 to 1,685.5 with banking and transport particularly weak. Turnover was A\$902.3m.

In the gold sector, Newcrest gained 13 cents to A\$4.18, Placer Pacific climbed 6 cents to A\$2.70 and Poseidon Gold rose 6 cents to A\$3.01.

NEW ZEALAND shrugged off a week opening to finish stronger with a gain in the NZSE-40 index of 9.87 to 1,628.27. Turnover was NZ\$33.5m.

Air New Zealand rose 10 cents to NZ\$2.30 on strong overseas demand. Elsewhere Fletcher Challenge rose 1 cent to NZ\$2.65 while Brerley eased 1 cent to NZ\$1.06.

BANGKOK lost nearly 2 per cent after the SET index fell below the 850 level, closing off 17.14 at 841.31. However, turnover was a below average \$32.5bn. Some analysts commented that recent disappointing first quarter results had depressed sentiment.

# Bourses decouple from volatile Dow

| MARKETS IN PERSPECTIVE |                            |         |        |                   |               |               |                   |               |               |
|------------------------|----------------------------|---------|--------|-------------------|---------------|---------------|-------------------|---------------|---------------|
|                        | % change in local currency |         |        | % change sterling |               |               | % change in US \$ |               |               |
|                        | 1 Week                     | 4 Weeks | 1 Year | Start of 1993     | Start of 1993 | Start of 1993 | Start of 1993     | Start of 1993 | Start of 1993 |
| Austria                | +0.84                      | +1.41   | +14.70 | +2.54             | +0.01         | +1.82         |                   |               |               |
| Belgium                | +0.16                      | +1.41   | +3.47  | +10.33            | +7.87         | +9.03         |                   |               |               |
| Denmark                | -0.02                      | +4.58   | +6.94  | +17.65            | +16.43        | +18.54        |                   |               |               |
| Finland                | +7.21                      | +11.54  | +88.81 | +61.68            | +42.38        | +44.08        |                   |               |               |
| France                 | -0.63                      | -3.80   | +7.38  | +1.54             | +7.44         | +2.56         |                   |               |               |
| Germany                | -1.61                      | -3.24   | +10.87 | +5.49             | +3.11         | +4.98         |                   |               |               |
| Ireland                | -0.43                      | -0.48   | +6.50  | +12.72            | +17.39        |               |                   |               |               |
| Italy                  | +4.17                      | +5.08   | +29.54 | +31.93            | +29.15        | +31.49        |                   |               |               |
| Netherlands            | -0.86                      | -1.97   | +4.19  | +8.71             | +6.50         | +8.44         |                   |               |               |
| Norway                 | -0.84                      | +3.09   | +8.87  | +13.98            | +12.77        | +14.81        |                   |               |               |
| Spain                  | +0.22                      | +3.41   | +0.58  | +19.57            | +8.54         | +10.51        |                   |               |               |
| Sweden                 | +0.37                      | +3.98   | +13.98 | +12.26            | +8.87         |               |                   |               |               |
| Switzerland            | +2.25                      | +5.67   | +8.93  | +5.46             |               |               |                   |               |               |
| UK                     | -0.99                      | -0.77   | +4.95  | +0.43             | +2.25         |               |                   |               |               |
| EUROPE                 | -0.31                      | +0.44   | +2.12  | +5.69             | +4.11         | +6.01         |                   |               |               |
| Australia              | -0.28                      | -2.12   | -3.82  | +8.65             | +6.74         | +7.88         |                   |               |               |
| Hong Kong              | +2.24                      | +7.50   | +18.61 | +30.94            | +28.83        | +31.17        |                   |               |               |
| Japan                  | +0.80                      | +4.41   | +16.96 | +21.86            | +35.36        | +37.81        |                   |               |               |
| Malaysia               | +2.07                      | +8.42   | +45.26 | +28.87            | +27.11        | +29.42        |                   |               |               |
| New Zealand            | +3.60                      | +0.76   | +2.86  | +7.85             | +12.24        | +14.27        |                   |               |               |
| Singapore              | +1.18                      | +6.75   | +15.45 | +16.72            | +18.41        | +18.53        |                   |               |               |
| Canada                 | +0.49                      | +3.00   | +7.74  | +10.82            | +11.21        |               |                   |               |               |
| USA                    | +1.51                      | +2.15   | +8.24  | +2.34             | +0.51         | +2.34         |                   |               |               |
| Mexico                 | +2.59                      | -8.01   | -5.84  | -8.16             | -4.42         | -7.77         |                   |               |               |
| South Africa           | +2.16                      | +12.88  | +8.09  | +27.71            | +30.96        | +33.33        |                   |               |               |
| WORLD INDEX            | +0.79                      | +2.34   | +8.97  | +8.40             | +11.27        | +13.30        |                   |               |               |

By William Cochrane

Technical analysts were saying last week that European bourses had decoupled from the Dow. Record highs on Wall Street on Wednesday and Thursday seemed to engender no answering enthusiasm on this side of the Atlantic.

Falls in Europe's three biggest equity markets - Germany, the UK and France - were instrumental in reducing Europe's performance to a slight decline which, with Japan in average form, left the US mainly responsible for the 0.8 per cent gain in the FT-Actuaries World Index in local currency terms.

The Dow fell back on Friday, on profit-taking and under technical pressure, but the global strategy team at Nomura, headed by Mr Nicholas Knight, is bullish. They say that cash had been stockpiled on the sidelines ready to hit the US equity market at the first downside opportunity, and that this is exactly what happened. "The

average mutual fund has 10 per cent liquidity," they argue, "twice the amount necessary to meet at least the initial redemptions that were seen over the weekend of the crash in 1987." Nomura is increasing its weighting in the US equity market from 33.3 to 38.3 per cent, reducing Spain, Hong Kong and Australia in the process.

Europe was marked by renewed enthusiasm for Italy and Finland, the former on interest rate hopes and the latter after a strike threatening exporting companies was called off. Thursday's Ascension Day holiday, extended to two days in Paris and Brussels, gave most bourses an excuse to mark time.

Germany was the worst performer in Europe last week. The UBS global research team, edited by Mr Guy Rigney, says that, with Haly, Germany has yet to face the full impact of severe fiscal retrenchment and consequent falling domestic demand. "We have cut our estimate of German profit growth to minus 30 per cent in 1993," say UBS.

# Banque Générale du Luxembourg in 1992 Sustained growth

## Consolidated key data (in million USD)

|  | 1990   | 1991   | 1992   | Growth rate 92/91 |
|--|--------|--------|--------|-------------------|
| Balance sheet total                        | 15,545 | 18,078 | 20,185 | +11.7%            |
| Customers' deposits                        | 10,691 | 11,454 | 13,117 | +14.5%            |
| Liquid assets                              | 7,818  | 7,803  | 9,131  | +17.0%            |
| Loans and advances                         | 2,790  | 3,104  | 3,635  | +17.1%            |
| Own funds (1), provisions and loan capital | 1,165  | 1,330  | 1,441  | +8.3%             |
| Net profit                                 | 41     | 51     | 57     | +11.7%            |

(1) after allocations

Exchange rate: 31.12.1992: 1 USD = 33,15 LUF

## Development

- of our lending activities to Luxembourg companies and private customers,
- of administration and financial management of our international institutional customers' assets,
- of the entire range of our Private Banking activities,
- of our network of services in the field of legal and corporate structuring.

## Growth

- of our shareholders' equity and reserves: the bank maintains a solid base for future expansion.



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# POWER GENERATION EQUIPMENT

SECTION III

Tuesday May 25 1993

Throughout the next decade, demand for new power generating equipment will continue to shift from the US and western Europe to Asia. The trend is recognised by all the big equipment producers, who are laying plans accordingly. **Andrew Baxter** reports

## Strong wind in the east

LAYMEN who assume that the world market for power generating equipment is just a matter of selling turbines, boilers and generators to utilities might wonder where, and why, rolling brown-outs and boiled chicken heads come into the equation.

Rolling brown-outs are the power cuts that countries such as Taiwan and the Philippines impose as they struggle to keep power output up with the needs created by rapid economic growth. Boiled chicken heads are the kind of banquet delicacy faced by western equipment salesmen during the battle for orders in key markets such as China.

Over the past five years, and throughout the next decade, demand for new power generating equipment has been and will continue to shift from the US and western Europe to Asia. The trend is recognised by all the big equipment producers, who are laying plans accordingly.

"It is quite clear that Asia will be the highest economic growth area for several decades," says Mr Frank Bakos, vice president and general manager at the Westinghouse Electric power generation business unit. "Whoever can deliver the best product at the most reasonable price will be most successful in supplying the needs of the industri-

alising countries."

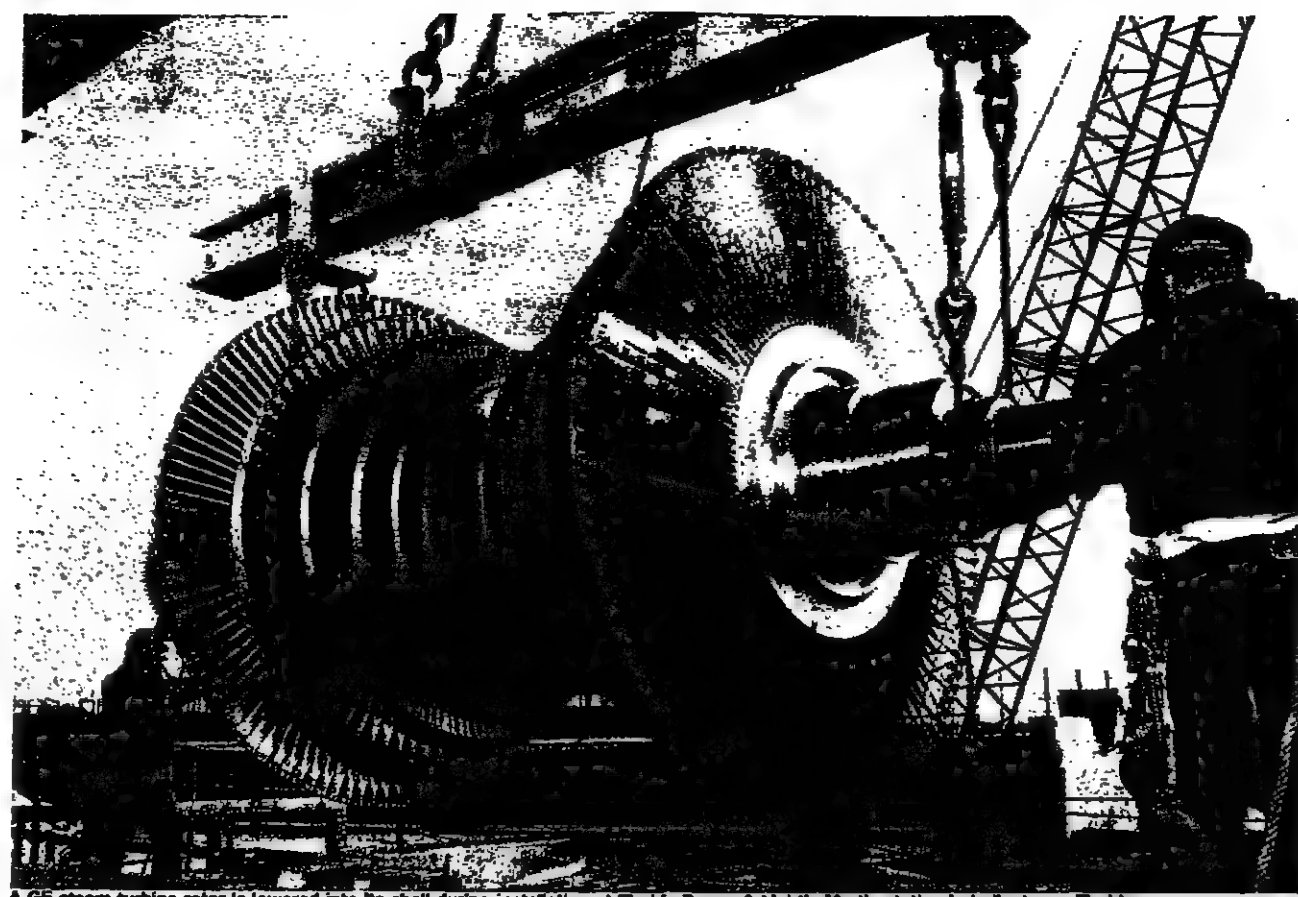
However, the projected statistics for the next few years are displayed, Asia looks like coming out on top in a world market that Westinghouse expects to be worth \$25bn a year by the year 2000 - with annual order volume up 40 per cent from today.

General Electric, the world's biggest power generating equipment supplier, forecasts that 180 gigawatts (GW or thousands of megawatts) of new power capacity will be needed in the Asia Pacific region from 1993-2002, equivalent to annual growth of 6.3 per cent.

That excludes a forecast 46GW of additional capacity needs in Japan, and comes out of a total world forecast of 610GW of new capacity needs - implying a reasonable growth rate of three per cent.

Asea Brown Boveri, the big Swiss-Swedish supplier, expresses the growth differently. Mr Göran Lindahl, the Swiss-Swedish group's executive vice-president for both Asia and for its power plants business, says China and Hong Kong will be adding 19-18GW of new power capacity every year for the rest of this decade.

This is the equivalent of Switzerland's entire installed power capacity. Overall, says ABB, power capacity additions in Asia are running at triple



A GE steam turbine rotor is lowered into its shell during installation at Florida Power & Light's Martin station in Indian River, Florida

the rate seen in the 1970s, while in western markets new capacity is being added at only two-thirds of rates seen 20 years ago.

Precise descriptions might vary, but few would quibble with GE's description of the Asia Pacific region as a targeted "megamarket" for power generation. Strong economic growth in several countries, including Taiwan, China, South Korea, Indonesia, Malaysia and China is producing large infrastructure investments and continuing electrification, says GE.

In particular, demand for nuclear plants in Taiwan, Korea and China comes as an immense relief to suppliers facing bleak prospects for plant orders virtually everywhere else outside Asia.

However, the growth in the Asian market creates two prob-

lems for western suppliers. First, they have to decide the extent to which it is necessary to enter into joint ventures and local manufacturing deals with domestic suppliers, and understand the different nuances in what is by no means a unified market.

Korea, for example, is more interested in developing its heavy equipment industry than in Taiwan. In China, according to Mr Hans Böhm, vice president of Siemens, it is very important that the market is approached via local manufacturing deals, which will allow the majority of plant investment to be financed locally.

There is also, he says, a need to develop local manufacturing so that its capacity to handle larger unit sizes can be increased.

Siemens is negotiating joint

ventures in China in steam turbines and in hydro-electric power. Westinghouse, too, is looking to strengthen its position in Asia through new joint ventures, and developing existing ones in China and Korea.

GE and ABB have several negotiations underway - the Canadian arm of GE recently concluded a hydro-electric technology transfer deal in China. The Anglo-French GEC Alsthom also has a strong position in China.

A second, and related, poser for equipment suppliers is the extent to which they should become financially involved in the many independent power projects which are proposed or planned in the region. US suppliers have greater experience of such projects because of the phenomenal growth of non-utility power producers in the home market, but the political

risks are much greater overseas.

Overall, equipment suppliers are wary of long-term involvement in Asian "build-operate-transfer" (BOT) arrangements. "We are investing only to drive our core business," says Mr Böhm. "We are not an investor like a bank."

If Asia is the main current theme in the generating equipment industry there are a number of sub-plots - in some of which the denouement is as far away as ever.

In the US, a combination of "repowering" of existing plants, modernisation and life extension and new thermal plants is providing steady growth opportunities in a market that is still likely to account for almost a sixth of new capacity needs over the next 10 years.

In Europe, overall growth is relatively sluggish but the market is becoming increasingly technology-led, with environmentally-related equipment accounting for as much as 30 per cent of the cost of a power station. The dominant themes will be examined at the three-day Power-Gen Europe conference and exhibition which opens today in Paris.

An important development over the past year in Europe has been the resolution - at least as regards power plant - of a dispute between the US and the European Community over public procurement.

US suppliers are relieved to have won a waiver on controversial articles in the EC utilities directive, in particular the rule stipulating that public utilities must prefer a European bid where it is no more than 3 per cent dearer than the best bid from overseas.

GE sees the deal as opening the way to selling its steam turbines in Europe for the first time since the era of the Marshall Plan. "This was the key trade issue in the industry," says Mr Del Williamson, vice-president for sales at GE Industrial & Power Systems.

Mr Williamson recalls a bid which GE made last year to build a power plant in Germany. The US company lost out in spite of having a lower price and a 1 percentage point edge on thermal efficiency - although the project was later cancelled.

The situation in eastern Europe remains, in the words of John Yasinsky, group president at Westinghouse Electric, "exciting and frustrating". Most suppliers have had their share of both sides of the story, where the key issue remains the need for western finance to complete, update or replace with alternative power generating plant the 81 Soviet-built nuclear plants in eastern Europe, Russia and the Ukraine.

Some progress has been made on this issue, but suppliers complain of bureaucratic delays hampering the raising of money that has already been agreed - such as the \$700m approved at the G7 meeting in Munich last June. Westing-

### IN THIS SURVEY

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■ The US market is likely to remain attractive, worth at least \$5bn a year for the next decade, according to forecasts by General Electric and Westinghouse ..... Page 5

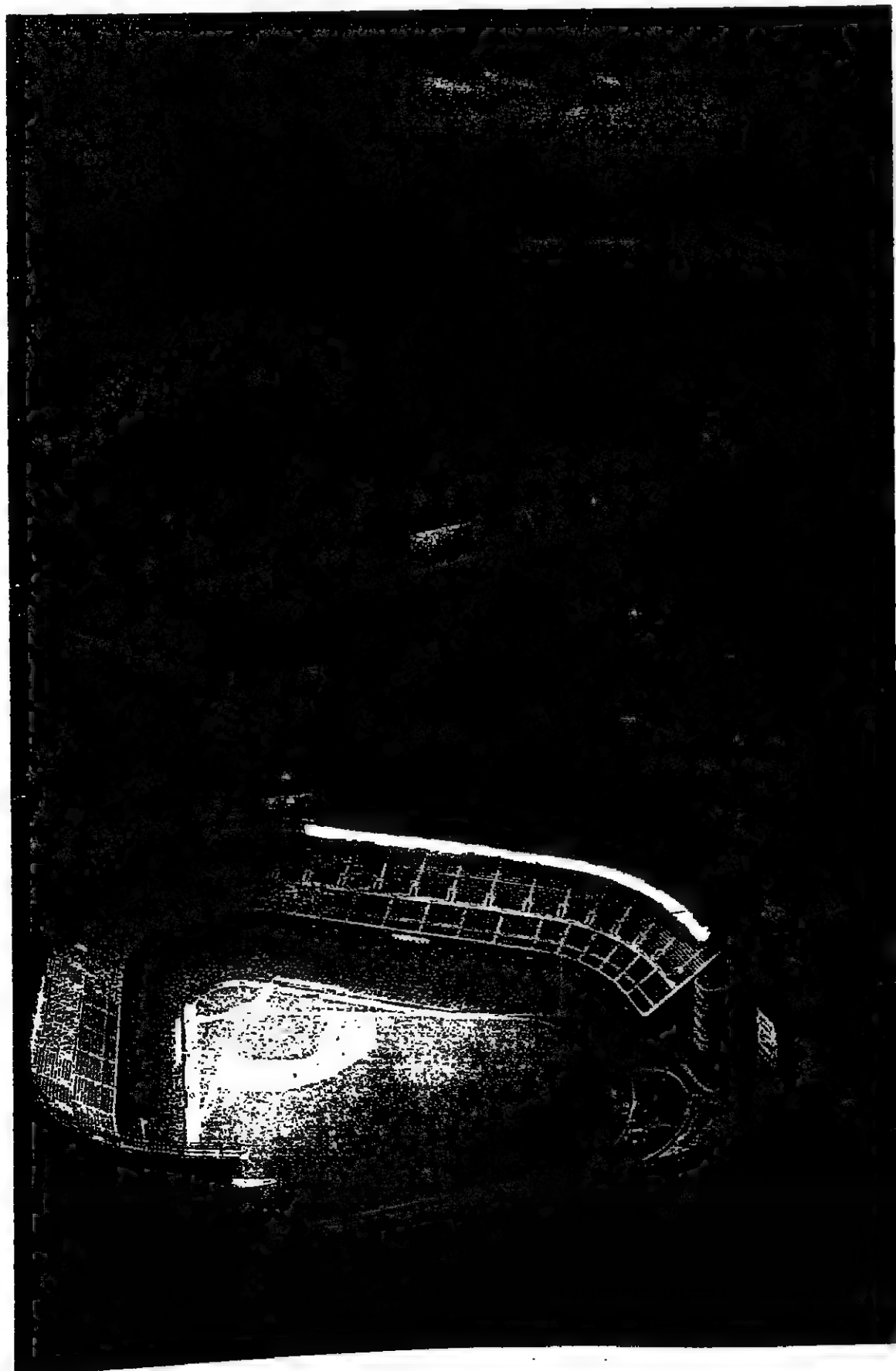
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house is attaching particular importance to a \$220m contract it has tied up to supply the instrumentation and control system to the partially-completed Temelin nuclear project in the Czech Republic. The deal could open the way for further work on the newer, safer VVER 1000 type of stations, Westinghouse believes.

Siemens has already won a contract to update the instruments and controls of the second generation VVER440-type station under construction at Mochovce in the Slovak Republic.

Meanwhile, says Mr Böhm, it is confident of winning soon an order for three 450MW combined cycle power units in St Petersburg, providing district heating and fired by gas turbines to be produced at Inter-



Can you light up the sky without clouding the air?

Natural gas - affordable, safe and available - is an increasingly popular choice for driving turbines that generate electrical power all over the world. Although it burns relatively cleanly,

combustion does produce nitrogen oxide, implicated in acid rain. Abatement techniques have reduced emissions, but heightened awareness among the industrial nations continues to generate tighter legislative controls and the development of ecologically-sound power plants.

Conventional methods of controlling emissions are costly and dampen efficiency. However, ABB research has now developed a way to burn them off. It is a total solution, reducing pollutants while maintaining efficiency, thus consuming less fossil fuel. ABB has installed its innovative "EV-burner" in the Midland Cogeneration Venture, a joint project to produce power for the Dow Chemical Company and the State of Michigan, USA. At full power load, this plant is now producing emission levels well below the world's most stringent requirements.

As a leader in electrical engineering for power generation, transmission, and distribution, in industry and transportation, ABB is committed to industrial and ecological efficiency worldwide. We transfer know-how across borders with ease. But in each country, ABB operations are local and flexible.

Yes, you can. That means we can help our customers respond swiftly and surely to technological challenges which stretch the limits of the possible. Like burning gas without clouding the sky.





## POWER GENERATION EQUIPMENT 2

Andrew Baxter on GE's support for an unorthodox power system

# Something interesting is afoot

When the largest company in any industry secures a worldwide licensing deal from one of the finest for a relatively new technology, something potentially very interesting is probably afoot.

Such was the case in February when General Electric, the world leader in power generating equipment, announced a worldwide licensing agreement with Exergy of Hayward, California to further develop and market a technology that could increase overall efficiency of GE combined cycle power systems.

Behind the deal lies the Kalina cycle technology developed by Dr Alexander Kalina, a Russian émigré who is the principal owner of Exergy. Dr Kalina, like many other engineers, was looking for ways to improve the overall efficiency of electric power generation.

Using as a basis theory developed by Dr Myron Tribus, a former GE turbine designer who is now a director of Exergy, Kalina decided to "throw the book away" and change a system that has been in place for 140 years. Instead of concentrating on equipment and materials that could lead to only marginal improvements, Dr Kalina focused on the very process by which heat is converted into electricity.

The Kalina cycle, therefore, is an alternative to the standard steam cycle by which 70 per cent of all electric power is generated. The standard or Rankine cycle

uses a single working fluid (usually water) to make steam in a boiler, expand it through a turbine to generate electricity, and then condense the spent steam, pump it and return it to the boiler. Because the thermodynamic requirements in the various parts of the cycle differ, this creates compromises, says Exergy.

In contrast, the Kalina cycle changes the working fluid in different parts of the system, by using a fluid that is a mixture of two or more components with different boiling points - typically, ammonia and water - and varying their ratio, to avoid compromises in the standard steam cycle.

The result is that more electricity is produced from the same quantity of fuel. According to Exergy, the Kalina cycle improves the efficiency of thermal power plants by 8-10 per cent, depending on the particular application. Assuming a 15 per cent increase in efficiency, 100 per cent adoption of the Kalina cycle in the US would save fuel worth \$60m at 1991 prices. Emissions, including greenhouse gases and particulates, would decrease by 15 per cent, says Exergy.

As with many small companies trying to interest large established suppliers in a new technology, success has not come overnight for Exergy, which was founded in 1980 to exploit the Kalina cycle.

In 1994 it decided that the best way to demonstrate the advantages of the Kalina cycle was to build a prototype power plant, and three years later it signed an agreement with the US Department of

different mixtures can be used in the boiler and condenser.

It was about this time that GE began a detailed, two-year study of Kalina cycle technology. By the time the two companies had announced a deal this year, both the efficiency and economics of Kalina cycle systems had been improved by the companies' joint efforts.

GE's worldwide licence for the Kalina

The effect of the Kalina cycle could be to raise the thermal efficiency of combined cycle power generation by one or two percentage points from the current 55 per cent-plus

Energy to build one at the Department's Energy Technology Engineering Center in Canoga Park, California.

In 1991, a major milestone was passed when the 3.2MW plant, using exhaust gases from an adjacent test facility as its heat source, was successfully operated. The working fluid is ammonia and water, and the byproduct is a "distillation condensation subsystem" in which the composition of the mixture is changed - so that

cycle covers its application only to combined cycle power generation. Using a mixture of ammonia and water increases the thermodynamic availability of energy transfer from the gas turbine exhaust to the steam turbine. "So you can use a bigger steam turbine for free," says Mr Del Williamson, vice-president for sales at GE Industrial & Power Systems.

The effect of the Kalina cycle could be to raise the thermal efficiency of combined

exchanger, gravity flash tank and high pressure condenser would replace a single condenser in traditional plants.

For the utility, the payback would depend on the market and the fuel price, says Mr Williamson. "Where fuel prices are low, the payback will not be so attractive," he says. And if the payback was more than three or four years, the system may not be seen as attractive.

Exergy, meanwhile, is working on several other applications for the Kalina cycle. It will be five years until the cash rolls in from any GE sales of combined cycle plants with a Kalina cycle, which could be too long to wait if Exergy wants to develop its plans for coal-fired plants, says Mr Tribus.

Here a particular attraction is the repowering market. "You could take out the guts of an old coal-fired plant, put in our plant, and increase output by 20 per cent for the same coal usage," he says.

To exploit this market, Exergy may well raise \$50m-\$60m to get into the coal-fired business itself. A less likely possibility would be to find a partner with engineering ability and market knowledge.

Exergy is also negotiating with several companies that want to take a licence for applying the Kalina cycle to geothermal power generation. The efficiency gains are as high as 80 per cent here because the Kalina cycle performance improves in lower temperatures.

Along with other parts of the power generating equipment industry, boiler makers are having to adapt to changing product and technology trends - environmental pressures, the growth in popularity of combined cycle power generation - and are also reorganising themselves to become more competitive.

But, in comparison with newer sectors such as gas turbines, the boiler industry has travelled less far down the road towards global concentration. As one of the oldest, and - until recently, at least - less sophisticated sectors of power engineering, national buying preferences have prevailed longer than elsewhere.

Worldwide, there are about 50 companies capable of producing boilers for power plants - the boilers are traditionally used for raising steam in coal-fired generation but are also used in combined cycle: the waste heat steam generators that link the gas turbine to the steam turbine are basically boilers.

In Europe alone there are 20-30 producers and manufacturing overcapacity has been a serious problem. A study for the European Commission in 1988 found that capacity utilisation by Europe's boiler manu-

facturers averaged just 30 per cent, compared with 60 per cent for the turbine generator sector.

In Europe and worldwide, the situation has improved since then, due partly to mergers worldwide, to improved world market conditions and also to restructuring within individual companies in Europe and North America.

Among the various deals that have more closely tailored boiler manufacturing capacity to worldwide demand or, at the very least, rationalised the industry's structure, were:

● Asea Brown Boveri's takeover of Combustion Engineering of the US and its recent acquisition in První brněnská strojárna in the Czech Republic;

● The integration of France's Stein Industrie and EVT of Germany - each of which had themselves developed through mergers - under one roof as the main elements of GEC Alsthom's boilers and environmental systems business;

● Last year's joint venture in boilers between Deutsche Babcock and Lentjes, a subsidiary of Metallgesellschaft; Deutsche Babcock had acquired Riley Stoker of the US in 1990.

● The acquisition by Finland's Ahlstrom Pyropower of Outokumpu's boiler business

and of Fakop, a leading Polish boiler manufacturer.

● Last year's acquisition by Germany's Steinmüller of a 40 per cent stake in Tampella's boiler-making business. Tampella, based in Finland, had previously bought Keeler in the US.

There has also been thoroughgoing slimming and reorganising at many of the larger companies. The workforce at Babcock Energy's main boiler plant at Renfrew in Scotland, for example, has been reduced by 800 in the past five years to just under 1,300 and the factory is a true low-cost producer, says Mr John Prosser, executive director of Babcock Energy's power engineering division.

The workforce at Combustion Engineering has been cut by about 15 per cent to under 5,000, although the entity no longer exists as such within ABB. The business, says Mr Kevin Pilon, vice-president for strategic development at ABB's boiler business, is "down to the core, and per-

haps now in a small build-up phase" for employment. Outsourcing of less critical components has been stepped up, and the business has been reorganised on a profit centre basis, and given new management at profit centre levels.

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The boilermaking industry is changing, but at its own speed

## Weakest will go to the wall

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players going to the wall and companies with niche technologies either remaining independent or finding financial security within larger groups.

But the pace at which some of the national producers will be squeezed will depend critically on how quickly some of the more protectionist markets will be opened up. Countries such as France and Italy, for

example, have never been easy for foreign suppliers.

Meanwhile, overcapacity remains and the strong competition for orders means that prices for power plant boilers have been stable or declining in real terms, according to Mr Pilon.

He points out, though, that there are ways for boiler makers to differentiate themselves. One measure of competitiveness is an effective cycle time strategy - the ability to

deliver quicker. Differing product strategies add another twist to the competition.

Companies such as ABB make a virtue of offering a turnkey package of virtually everything needed to build a power station. Siemens and Westinghouse, in contrast, buy in their boilers.

Then there are companies which concentrate almost exclusively on boilers, at least as regards their power equipment business.

Mr Prosser points out that Babcock Energy has supplied boilers with ABB, and in one of the highest recent power plant contracts, the \$1.25bn Black Point combined cycle project in Hong Kong won by GEC Alsthom and General Electric, Babcock won an \$80m contract to supply the heat-recovery steam generators because of the customer's strong preference for its equipment.

Inevitably, the outlook for the boiler industry over the next few years mirrors that of the power generating equip-

ment market generally. Overall, says Mr Prosser, the next two years will be tough but there are big market opportunities in Asia and the Pacific Rim.

Naturally, therefore, the western boiler makers are stepping up local manufacturing to help win orders and because it makes economic sense to build at least some of the components close to the market place.

ABB, for example, has a boiler fabrication joint venture in Indonesia, and Babcock Energy, says Mr Prosser, is looking for partners in China and Malaysia to supply plant such as fines and dustwork.

Babcock is currently bidding jointly with Wuhan Boiler Works in central China for the Ezhou anthracite-fired power station. Again Wuhan will be manufacturing some of the less critical parts if the consortium wins the contract.

As for technological developments, there is still considerable debate as to how environmental pressures will affect the boiler industry. The boiler producers have already made important contributions to clean coal burning, whether through the development of low-NOx burners or through flue gas desulphurisation

equipment which removes sulphur dioxide. The big companies are trying to keep their options open, as it is not clear what the relative long-term importance will be in the market place for such clean coal technologies as integrated gas combined cycle, circulating fluidised bed boilers, traditional pulverised coal boilers with scrubbers, or such combinations as pressurised fluidised bed boilers linked to IGCC.

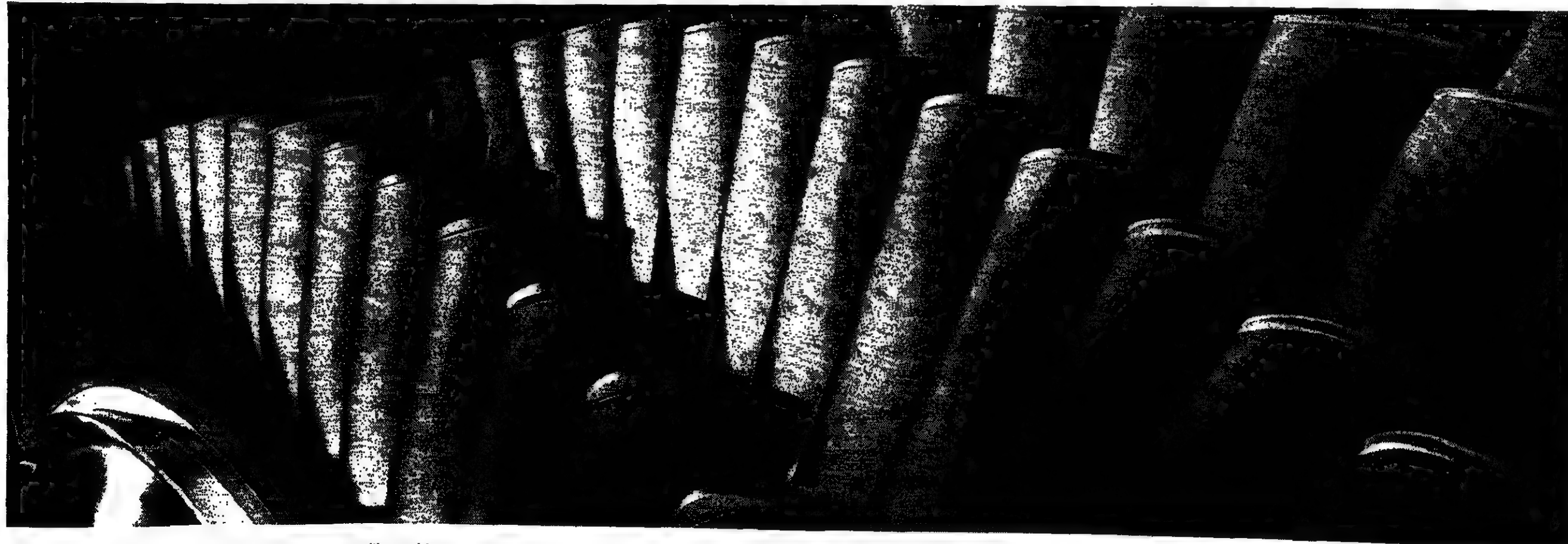
GEC Alsthom's Stein Industrie recently won an order in France for a 250MW CFB boiler, which it claims is the world's largest. Mr Eric Oakes, Alsthom's Pyropower's president, says the company has orders for two 250MW boilers in Poland, and says 300MW boilers are attainable.

"If a CFB boiler can match the price of a pulverised coal boiler with a scrubber, it can be the boiler of choice as the emissions are lower," says Mr Oakes. He suggests that the future could see IGCC repowering existing gas turbine plants as the price of gas rises, while CFBs could be used to re-equip existing coal-fired plants or fitted to new ones. "There is room for both in the future," he says.

Andrew Baxter

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محطات الطاقة



Eastern Germany is a huge, if sluggish, market, writes Ariane Genillard

## A determination to catch up

The noise is deafening. The mammoth turbine hall is 600 metres long and 42 metres wide, big enough to accommodate a total of 12 210MW units. Together with two 500MW units installed in 1990, eastern Germany's Boxberg plant was for years the largest lignite-fired power station in Europe. Today, it offers some of the largest contracts in continental Europe for power generating equipment.

Boxberg, built with Soviet-designed turbosets in the lignite strip-mining fields of eastern Germany, needs extensive refurbishing and plans are underway for two new 800MW plants. The whole project is expected to cost DM5bn-6bn.

While western Germany's power generating capacity is expected to remain relatively stable over the next few years, the restructuring needs of the ageing power industry in the east has opened an important market for suppliers of generating equipment.

Some 30 per cent of eastern Germany's power stations are due to be closed by mid-1996 as refurbishing is too costly. Moreover, the sharp decline in energy consumption, caused by the economic slow-down and the energy waste which characterised the old regime, makes a large portion of the 22,000MW existing capacity superfluous. Instead, the power plants, which are mostly small 200MW Russian types, will be replaced by large 800MW units.

Verenigte Energie AG, VEAG, the east German utility company in charge of 70

per cent of the energy production in the five new German states, plans to build 4,000MW of new brown coal-fired power stations and 2,000MW of hard coal stations by 2005. Another 1,000MW will be available from newly-installed gas turbines.

Brown coal, which is abundant, will provide 80 per cent of the energy fuel in east Germany. By 2005, east Germany is expected to produce annually 60m to 70m tonnes of brown coal, according to VEAG.

Moreover, remaining plants will be fitted with sulphur and dust removal equipment to reduce their pollution. VEAG has already committed DM6bn to refurbish the two largest plants in east Germany, Jämschwalde and Boxberg.

In contrast, expansion in west Germany will be minimal with a 2.5 per cent addition to the installed 110,000MW capacity planned over the next five years, according to Siemens. Mostly, projects in the west will focus on replacement of old plants. In total, east Germany will need an estimated DM30bn to rebuild and upgrade its power stations and modernise its transmission lines.

The prime beneficiary of this growth will be VEAG which was formed after the disintegration of the energy "Kombinat", the

monopolistic structure in charge of energy under the former communist regime. VEAG is still owned by the Treuhand, the state holding agency in east Germany.

Remaining energy production is to be left with regional energy utilities and town authorities.

Three large companies have been dominating the burgeoning market: Siemens, acting mostly through its KKW energy subsidiary, has acquired 40

per cent of the market for coal-fired stations and 50 per cent of the market for gas turbines. Its outstanding orders for east Germany amount to DM1.5bn, with further projects in the pipeline.

Siemens orders have included the supply of two 800MW turbosets for the large power plant to be built at the Schwarze Pumpe site in Brandenburg.

Siemens will also install a natural gas-fired and steam turbine cogeneration plant near Dresden. This new plant, representing a total investment of DM400m, will

replace the lignite-fired cogeneration at the same site and reduce pollution by 97 per cent.

Other projects include the design and planning of a backfit for the lignite-fired Jämschwalde power plant near Cottbus with a flue gas desulphurisation plant and a combined gas and steam turbine cogeneration plant near Halle.

● Asea Brown-Boveri (ABB), the Swiss power and engineering group, has

invested DM300m so far but its outstanding orders reach DM42m. ABB's largest order is for the Boxberg site for which it will be handling the planning work and supplying two complete turbosets for DM435m.

ABB has also won a DM150m contract for a new coal-fired power plant in Rostock.

● GEC Alsthom, the Anglo-French joint venture, has also acquired significant market shares, with EGT, its gas turbine

division, has captured a 12 per cent market share. EGT, its manufacturer of boilers and environment protection products, claims 20 per cent of the market, with competition coming mostly from the German engineering companies, Deutsche Babcock and Steinmüller.

These companies, all well-established in the West German market before reunification, have largely applied similar strategies to access the eastern market, acquiring sister companies formed with break-up of the monopolistic power industry in east Germany.

Other suppliers have included General Electric of the US which in early 1992 signed a contract with Blohm and Voss, the Hamburg-based machinery maker, to offer steam turbine and combined-cycle plants with electrical outputs of 50 to 300MW.

Companies that have established a local presence through acquisition have generally been more successful at winning contracts. This stems from the efforts of VEAG to foster growth for local manufacturers and safeguard existing employment levels.

"We attempt to award contracts to local companies as far as possible when their

offers are competitive in order to help the local economy," says Mr Albrecht Schleich of VEAG.

Contracts have been delayed, however, by the bitter battles between regional utilities and towns for a slice of the pie allocated to VEAG. The rivalries have led to appeals to the federal constitutional court against the quasi-monopolistic power of VEAG.

After months of negotiations, VEAG has struck agreements with 14 of the 15 regional utilities in the new German states. But legal quarrels between the regional utilities and the towns are still hampering the decision making processes. Suppliers will not admit that public-sector contracts are being awarded too slowly. But the uncertainty has led to a slow-down in allocating available funds.

"Some delays have been observed for some projects but in many cases there has been an awareness that decisions needed to be taken rapidly," says Mr Manfred Simon, a director of ABB Germany.

However, eastern Germany's economic slowdown, which has been sharper than anticipated, has cooled initial expectations. "Programmes have been stretched because economic growth and energy consumption is below target. The big volume did not in fact materialise and the market is overestimated," says Mr Wilhelm Heilmann, chairman of the board of GEC Alsthom's EVT subsidiary.

But most suppliers that hope to pick up business in eastern Europe as a whole remain confident.

### Profile: Rolls-Royce Power Engineering

## Things are improving

It would be easy to conclude from a tour round the Parsons steam turbine factory at Heaton in Newcastle that one of the most illustrious names in the UK's rich history of heavy engineering triumphs is down on its luck.

The factory is ticking over on a low level of activity, and some of the massive machine tools capable of handling a 300-tonne workpiece are being used on work for outside customers - now that the UK market for large coal-fired steam turbines has dried up.

Parsons and its parent company, the recently renamed Rolls-Royce Power Engineering, have, indeed, just been through a rough patch. Overall employment has fallen about 40 per cent in 10 years, while Parsons' workforce has been halved to 3,500 since 1985.

This is partly a reflection of the rationalisation of capacity throughout the power equipment industry, and especially in the European steam turbine business. But Parsons in particular was also badly hit by the Iraqi trade embargo, causing the cancellation of its £70m Al Shemal contract and the loss of 650 jobs. Bits of

equipment for the order still languish at Heaton.

Fortunately, Parsons' factory will soon be humming once again, as manufacturing begins in earnest on two orders now in the design stage. Last year Parsons won a £70m contract from Calcutta Electric for two 250MW steam turbine generators to be installed at the new coal-fired Budge Budge power station.

Parsons also secured an order worth £100m to supply three 250MW steam turbine generators for Stage 3 of the Pulau Seraya power station in Singapore. Having built Stage 1 and then lost out to Japanese competition for Stage 2, the new order is the pay-off for all Parsons' recent efforts to improve its competitiveness.

More orders are being chased, but meanwhile Mr Richard Maudslay, managing director of Rolls-Royce Industrial Power Group, can claim that the power generation business is "quite well loaded; much better than 12 months ago".

At Parsons, Mr Trevor Murch, managing director says: "We have turned from a situation of some gloom and pessimism to one where we

can continue building on these recent successes." Over the next few months Parsons will even be recruiting some 300 new manufacturing workers.

R-R PE can trace its history back to Sir Charles Parsons, the inventor of steam turbines, and more recently has been at the centre of the restructuring of UK heavy engineering. A merger in 1977 brought together Reynolds Parsons (turbine generators, transformers, switchgear and control systems) and Clarke Chapman (boilers, water treatment plant, fossil and nuclear fuel handling systems) to form Northern Engineering Industries. NEI was itself bought by Rolls-Royce for £200m in 1988 in a move designed to protect the aero-engine group from the vagaries of the aerospace market.

Subsequently, a deal with Asea Brown Boveri saw the creation of a UK joint venture, NEI ABB Gas Turbines. This

allowed NEI to participate in the UK combined-cycle market, as it lacked a range of heavy-duty gas turbines.

Then last year, Rolls-Royce and Westinghouse Electric announced an alliance covering technology transfer and marketing collaboration that is of far-reaching significance

for both companies. And in February, some big changes were made to the corporate identity of companies within the Rolls-Royce Industrial Power Group.

NEI's business is now conducted in the name of Rolls-Royce Power Engineering, and the NEI prefix has been removed from companies with historic names such as Parsons, Reynolds, Peabody and Clarke Chapman. "There were

too many names," says Mr Maudslay.

Changes at R-R PE go a long way beyond the name. Over the past five years, the company has worked hard at rectifying problems which were reducing its competitiveness, especially in turbine work. Mr Maudslay is frank about

the errors of the past. Up to the mid-1980s, he says, the company lacked the management skills to bring in a project on time and on-budget. "A tremendous amount of time and effort has been spent correcting that," he says.

He contrasts the company's performance on the Riband power station project in India, where it made the mistake of signing the contract before the technical specification was

clearly agreed, to its recent work converting the open-cycle gas-turbine Connaught Bridge power station in Malaysia to combined cycle operation. The £70m turnkey programme won by Parsons, was finished on time and on budget, and also brought work to other companies within R-R's Industrial Power Group.

On the manufacturing side, the rationalisation included closure of the Parsons plant at Long Benton and a change in the make-or-buy policy to increase outsourcing of less critical components.

At Parsons, some £70m was invested in the 1980s on manufacturing technology, and the rate is being maintained this decade, says Mr Murch. A new approach to manufacturing organisation, which Parsons calls "systems engineering" has had a big impact on productivity.

Having slimmed down to what Mr Maudslay calls an

essential core, R-R PE now has a stable base from which it can provide integrated solutions to customers. As long as it was concentrating internally on reducing its capacity, it tended to take a piecemeal approach to winning orders - the same customer would be visited separately by Parsons, Reynolds etc.

Mr Maudslay sees the overall strategy for R-R PE to be to select the market areas and product ranges where it can play to its strengths.

In power generation this means building on its successful record in what have conventionally been called medium-sized steam turbines - 250-500MW - but which are now very much the standard size used in combined cycle power generation.

Its regional priorities are the Middle East, India and the Far East. These are the areas with the strongest growth, says Mr Maudslay. The trend towards private power in India and several fast-growing markets in Asia increases the chances of countries' power ambitions being realised, and, via Rolls-Royce & Partners Finance, Mr Maudslay is prepared to take equity stakes in

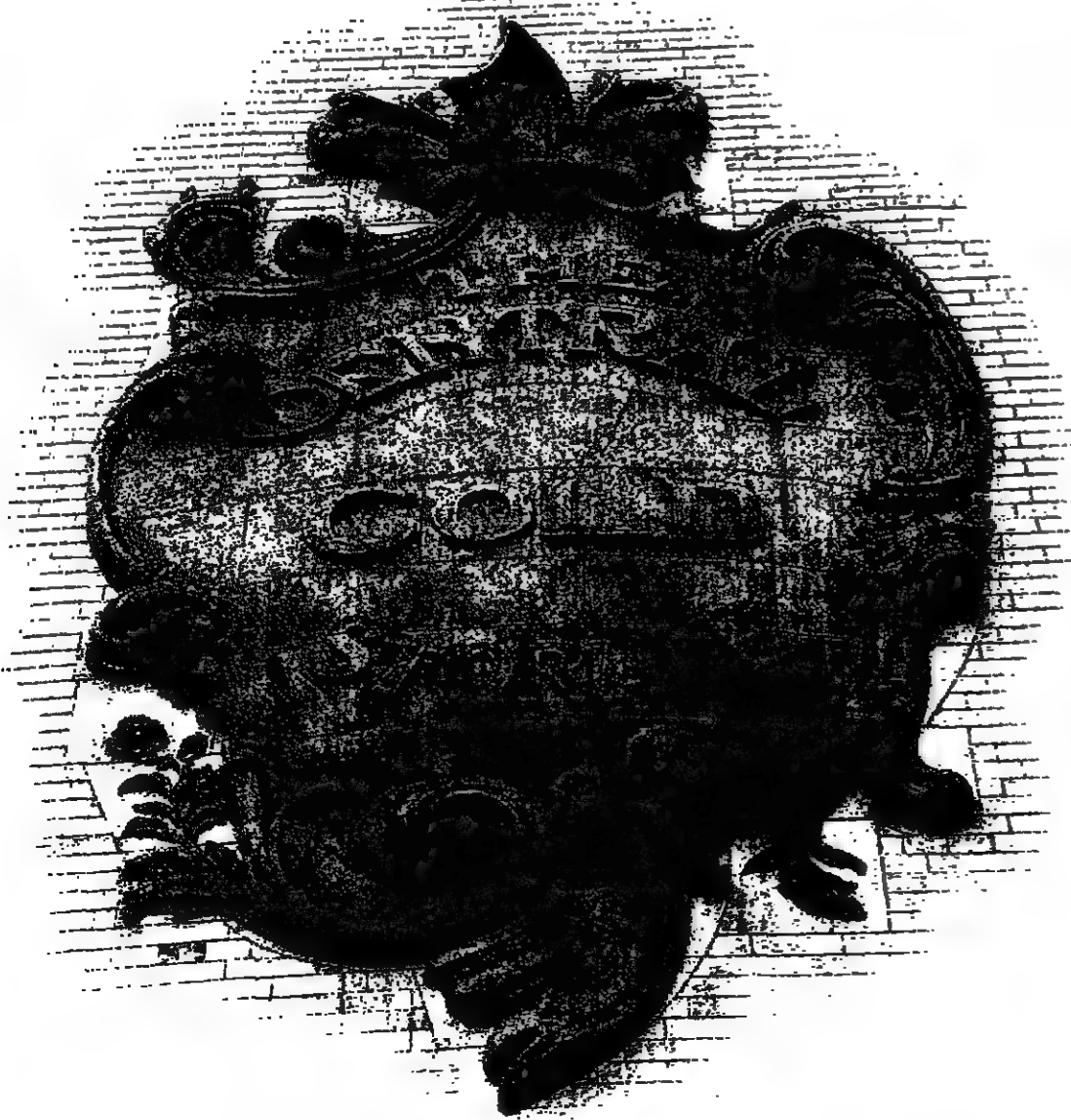
projects. "But I don't see us taking a major share in a major project," he cautions. Looking ahead, Mr Maudslay attaches considerable importance to the tie-up with Westinghouse. The attraction he says, is the big mutual interest in a deal for both companies. Westinghouse gets aero-engine derivative technology for its gas turbines, while Rolls-Royce gets access to Westinghouse's heavy duty gas turbine range.

The companies will work together on marketing, with either leading a bid depending on each other's market strengths. Co-operation in steam turbine technology development has already begun - "It did not make sense for each to develop its own products," he says.

The agreement with Westinghouse excludes the UK because of the NEI-ABB joint venture, but this looks to be declining in importance for R-R PE overall, perhaps because it lacks the necessary element of mutual interest. Even in the UK, its prospects look uncertain as the market for gas turbines turns cooler.

Andrew Baxter

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POWER FOR A CHANGING WORLD



## POWER GENERATION EQUIPMENT 4

Andrew Baxter examines more efficient use of steam

## Renewed interest

THE development of gas turbine technology may have taken most of the limelight in recent years, but it would be wrong to give the impression that steam turbines, the stalwarts of power generation for a century, are being ignored.

Inevitably, technology is developing faster in the much younger gas turbine sector, but recently the pace of change in steam turbines has been accelerating.

Part of the reason is that steam turbines are an integral part of combined cycle power generation, and must therefore play their part in increasing the overall efficiency of the system - which is one of its key selling points.

But, across the world, there is also renewed interest in getting greater thermal efficiency and economy from new coal-fired plants, which require steam turbines that run hotter, and at greater pressures.

A third task for which significant technological advancement has been achieved is turbine modernisation for existing

coal-fired and nuclear power plants, notes Siemens.

In contrast to the rivalry in the gas turbine market, where it is possible to identify clear leaders, the steam turbine market has many more players, and there is no obvious technology leader. "It's a very close race," says Mr Hans Levander, senior vice-president for technology at Asea Brown Boveri's power plants business.

Along with European and US producers, all of which are working along much the same lines, the Japanese have also been active. One of the most sophisticated designs, for a 700MW double reheat turbine powered by "supercritical" steam, was developed by three scientists at Toshiba and won an award in 1991 from the UK's Institution of Mechanical Engineers.

The reason for the activity is simple. "If the competition can produce a 1 per cent better heat rate, you won't get the order," says Mr Michael Barrett, managing director of GEC Alsthom's large steam turbines division. "That applies to coal-fired generation and combined cycle."

There are two broad types of steam turbine, impulse and reaction turbines, which differ in the way that the blades interact with the steam flow. GE, GEC Alsthom, Toshiba and Hitachi produce the impulse type while ABB, Siemens Westinghouse and Mitsubishi have opted for reaction turbines.

Proponents of each type tend to say theirs is better, says Mr Barrett, but the fact remains that both types have survived, and each is capable of further development.

The key challenge for steam turbine technologists is to increase thermal efficiency without sacrificing reliability, flexibility or environmental performance. All these factors - and in particular the emissions performance - depend on the choice of boiler too, of course.

Increasing the "cycle efficiency" of the turbine is a question of raising steam pressure and temperatures at the inlet of the machine, to get more work out of the series of turbines and increase the torque of the turbine rotor (this turns the rotor in the generator to produce the power).

A typical European steam turbine of the 1970s and 1980s would have an inlet pressure of 165 bar and a temperature of 565°C. Mr Levander says there is renewed interest in steam turbines over 580°C with reheat and double reheat of the steam via return trips to the boiler. GEC Alsthom this month won contracts for steam turbines at two Danish power stations which will operate at 285 bar and 590°C, and there are other designs where the temperature is nearing 600°C, says Mr Barrett.

The steam is said to be "supercritical" above pressures of 221.2 bar and temperatures of 540°C and higher. Beyond this

threshold, the transition from water to steam is continuous and the steam becomes a much more efficient carrier of heat.

The effect of such developments is to increase the thermal efficiency - the amount of energy produced per unit of fuel burnt - from the high 30s to the mid-40s in percentage terms. Claims of 46 or 47 per cent efficiency are being made for some stations in Denmark.

In the US, GE has developed what it calls an ultrasupercritical steam turbine, suitable for conditions of 300 bar and about 595°C, as part of a project funded by the Electric Power Research Institute. According to GE, the design, in conjunction with an advanced boiler design, can deliver higher efficiency and reduced emissions per KW produced than turbines and plants employing conventional subcritical and supercritical steam cycles.

"These temperatures may look puny compared with the 1200-1300°C of gas turbines, but the technologies are completely different - although there are some spin-offs for steam turbines from aero-derived developments in gas turbine design."

For steam turbines, achieving the higher efficiencies available in theory from super-

**All the producers believe there are further opportunities for improving efficiency**

critical conditions has several implications in practical terms.

Advanced steel materials are needed for casings, rotors and buckets due to the high pressure and temperature requirements, says GE. Erosion is a big problem in steam turbines, so new steam path coatings with improved adhesion and solid particle erosion resistance have been developed.

Mr Levander says ferritic steels have now been developed which can cope with the higher temperatures, avoiding the extra cost and some technical problems associated with austenitic steels. The next phase of materials development will see a concentration on sophisticated steel alloys with 9 or 12 per cent chrome, says Mr Raymond Lawrence, engineering and operations director at Parsons Turbine Generators.

Blade design is also crucial to better overall performance. Improved computational methods, measuring techniques and manufacturing technology are contributing to the introduction of advanced three-dimensional blading, says Mr Levander. Similarly, says GE, the aerodynamics of other components such as valves, inlets and exhaust hoods have been improved, due to advances in computational fluid dynamic (CFD) computer codes.

Additionally, says Mr Barrett, turbine clearances (the gap between the tip of the

Additional power capacity needs (1993-2002)



quantum leap on the steam side," says Mr Del Williamson at GE.

Steam turbines will, therefore, make some contribution to one of the biggest technological challenges for the power equipment industry - further improving the thermal efficiency of combined cycle

power which is currently hovering at about 55 per cent.

Efficiency gains could come either from the gas turbine or the steam turbine, says Mr Williamson. Competitors agree, although the majority feel that, as befits a less mature technology, the efficiency of gas turbines will probably rise faster.

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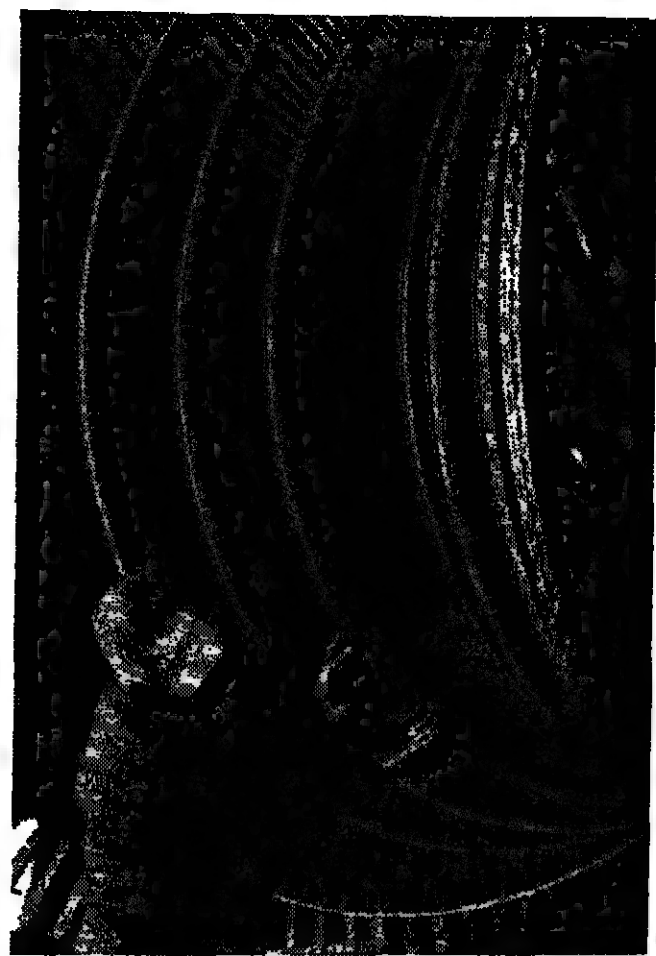


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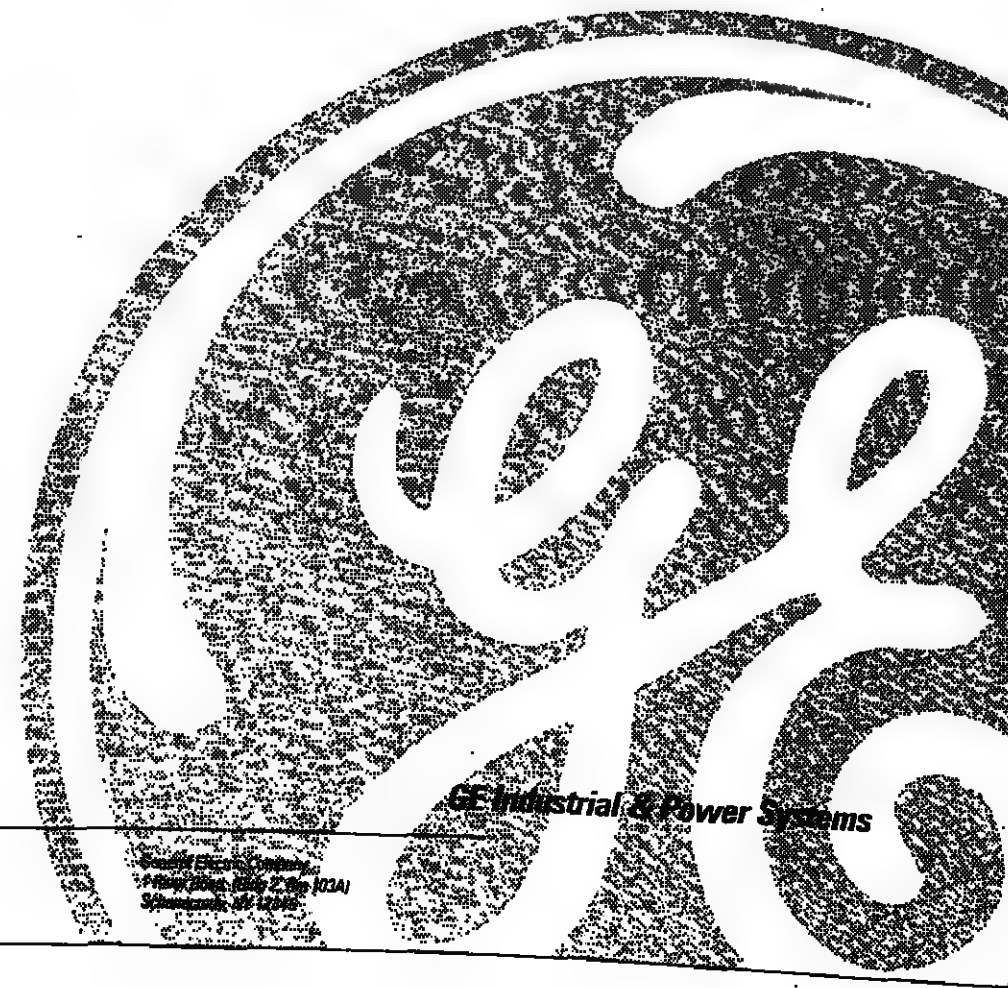
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POWER GENERATION EQUIPMENT 5

US expansion should not be underrated, says Andrew Baxter

## Even a little means a lot

The US market for power generating equipment tends to be ignored by the media in all the excitement about Asian prospects, but even a modest growth rate in percentage terms can provide a healthy business if built on a big enough base.

The forecasts for the next decade by General Electric and Westinghouse, the two dominant US suppliers, differ slightly in numerical terms but agree on a key point - that the US remains an attractive market, worth at least \$5bn a year for the next decade.

Westinghouse forecasts a peak power demand growth rate of 2.2 per cent over the next decade, equating to total orders exceeding 141GW, more than 20 per cent of the existing US generating base. Of this, about 15GW will be replacing existing capacity.

The Orlando-based supplier says utility investments in existing capacity will also help meet rising demand. By the end of the decade, says Westinghouse, about 25 per cent of the installed thermal capacity in the US will be more than 30 years old, and candidates for life extension, modernisation, uprating and repowering programmes.

GE, based at Schenectady, forecasts total capacity additions of 105GW for the US market over the same period from 1993-2002, and believes that required resources will start to outpace committed resources shortly. The forecast is almost double the 46GW which GE sees being added in Japan over the same period, although it is surpassed by the 180GW predicted for the Asia Pacific region.

It forecasts total US orders for power plant at 154GW for the decade, which includes equipment that will not come into service until after 2002.

About 12-15 per cent of the market will be equipment for repowering existing power stations, and the rest will be for greenfield sites or for additions to existing sites, says Mr Del Williamson, vice-president for sales at GE Industrial & Power Systems.

GE's projections for the US assume a load growth of 2.5 per cent a year, a 20 per cent

reserve margin - the gap between the utilities capacity and the power load - 2GW of Canadian imports and 2GW of net retirements.

The national average of 2.5 per cent annual load growth, coupled with a declining reserve margin, produces a forecast growth in capacity of

**Predictions for the types of power equipment to be sold also coincide**

1.9 per cent a year. The most important region by far is predicted to be the south-east, where GE forecasts uncommitted needs of 30GW and total orders of 44GW.

Predictions for the types of power equipment to be sold also coincide broadly, with combustion or gas turbines clearly dominant. Of GE's forecast for 105GW of total capacity additions, 64GW is combined cycle, 26GW is gas

turbines, 12GW is steam turbines, 3GW will come from hydro-electricity and renewables and just one GW from nuclear power.

Westinghouse's forecasts for the type of new power plants are shown in the accompanying chart, which also shows graphically why combustion turbines are predicted to take some two-thirds of the market.

Apart from the fact that gas has become the fuel of choice, combustion turbines are particularly suited to the independent power producers which want new capacity on stream fast, and which, it is predicted, will account for more than 50 per cent of the power generation market. Almost all the IPP orders are for baseload combined-cycle stations, says Mr Williamson.

Mr Frank Bakos, vice-president and general manager of Westinghouse's power generation business unit, says the traditional utilities are also finding combined cycle power

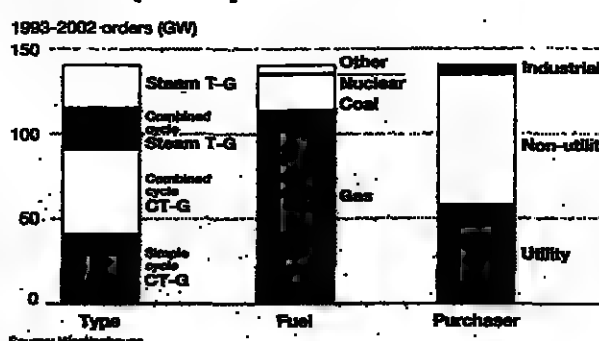
attractive. And Mr Randy Zwirn, general manager of the unit's power generation projects division, notes a trend for power producers to start with a simple or open cycle combustion turbine, which can be completed in a matter of months, and leave room for a subsequent conversion to combined cycle.

Coal-fired generating equipment looks like accounting for no more than about 15 per cent of the US market over the next decade, but could become less "traditional" in equipment terms as clean coal technologies such as integrated gasification combined cycle (IGCC) take hold.

At present, says Mr Williamson, the extra capital cost and fuel prices are restraining interest in IGCC.

The market for new nuclear plants, in contrast, is now firmly closed, but there are signs that the door could be at least slightly ajar by the end of the century.

US: new power plants



Last month, Westinghouse and a group of 16 US utilities signed a contract to invest \$158m over the next five years in the detailed engineering needed to build the Westinghouse AP600, a standardised 600MW pressurised water reactor design.

The investment is supported by the US Department of Energy, and is important not only for Westinghouse but as an indicator of an eventual future for new nuclear plants in the US. GE won a similar competition for a large advanced boiling water (ABW) design, but neither supplier is exactly holding its breath for

new business.

As with most countries that have a developed power equipment industry, domestic producers dominate the market. That is not to say, however, that the market is closed - it has historically been one of the most open.

Westinghouse and GE have about 70-75 per cent of the gas turbine market and 80 per cent of the steam turbine market. These figures have not changed much in recent years but both ABB and Siemens are trying to expand their presence in the US power equipment market. ABB already has significant

manufacturing facilities in the US and recent successes include the boiler and other equipment for a \$300m coal-fired cogeneration project in Maryland and a \$130m order from two Kentucky utilities for six gas turbines.

Siemens is stepping up its interest in the US, which it sees as an important growth market. By the end of the 1990s, it plans for 20 per cent of its entire KWU business to be in the US - already, the US accounts for 30 per cent of foreign business.

The German company has been spurred by factors including modernisation and service life extension of thermal and hydroelectric plant, demand for new thermal power plants, and topping and repowering of existing steam power plants.

In particular, says Mr Hans Böhmer, vice-president of Siemens and a member of the KWU group executive management, "we have stepped up our activity on the gas turbine side." Two years ago, Siemens bought A-C Equipment Services, the former service division of Allis-Chalmers, in Milwaukee, where it is now making gas turbines for the US and other markets that use the same 60 Hz frequency.

### Profile: Westinghouse Electric

## A controlled and careful fightback

The Westinghouse Electric name is one of the most famous in the power equipment industry but is currently more likely to be associated with the company's troubles in financial services or the seven-year legal wrangle with the Philippines over the Bataan Peninsula nuclear plant.

Not for the first time, some of Westinghouse's competitors in the power generating equipment industry have been trying to exploit the recent adverse publicity by suggesting the US company's long-term commitment to the power industry is in doubt.

That rankles with Mr Frank Bakos, vice-president and general manager of the Westinghouse power generation business unit. "Enough is enough," he says. "We are doing fine."

Power generation is the biggest part of Westinghouse's power systems business, which also includes the nuclear and process control businesses. Overall, power systems has grown about 44 per cent in the past three years, contributing 35 per cent or \$2.9bn to Westinghouse's revenues last year.

This achievement is a measure, in particular, of the transformation in the fortunes of the power generation business, which had reached a low point by 1988, says Mr Bakos.

Over the previous three years, the business had been through considerable management upheaval, and two wrenching closures of "dinosaur" factories in East

Pittsburgh and Lester, Pennsylvania - each of them a massive 4m sq feet in size. Crucially, though, Westinghouse had also withdrawn in 1986 from the production of combustion turbines in the US.

However, as the combustion (i.e. gas) turbine market - for open cycle or combined cycle application - pulled the industry out of its doldrums, Westinghouse found itself "in the right church, but the wrong pew," as Mr Bakos puts it.

What has happened in the past three years is a careful, controlled fightback. At the core of the strategy has been the three-way alliance in combustion turbines with Mitsubishi Heavy Industries of Japan and FiatAvio of Italy. Westinghouse, fortunately, had remained committed to designing gas turbines throughout the period of non-production in the US.

The network allows the three companies to build turbines to the same design in three locations, sharing development work and building on each other's strengths and capabilities. This was one way in which Westinghouse was able to produce its first US gas turbine again in 1991, only 17 months after taking the important decision in 1988 to restart production.

Another crucial element, however, has been the manufacturing strategy. The concept of a "Great North American Factory," where several plants work together on a product by concentrating on their core competences, has come into its own over the past three years.

Factories from Hamilton, Ontario to Charlotte, North Carolina and Pensacola, Florida are involved in the production of

**Sales in the Orlando-based power generation business unit have grown from \$700m to \$1.7bn in five years and the business is becoming increasingly international**

combustion turbines, with no new bricks or mortar required.

Building a new factory would have cost \$150m-\$180m, says Mr Bakos, considerably more than has been spent on upgrading facilities. Although Westinghouse cannot produce as many gas turbines as arch-rival General Electric, it is cost-competitive even when producing only 24 a year, he says.

The move southwards, away from the unionised plants of the north-east, to plants such as Charlotte and Pensacola

has clearly been a big benefit for Westinghouse (as it has been, at GE). A flexible, non-union workforce has been a big element in the all-important reduction of cycle times.

At the project level, too, the company is attempting to reduce lead times from order to operation. Mr Randy Zwirn, general manager of the power generation projects division, says the goal is 20 months

for a combined cycle plant - achieved by reducing the level of "first time engineering" to about 25 per cent of the project and raising the level of repeatability. "That helps you drive the cost down," he says.

Sales in the Orlando-based power generation business unit have grown from \$700m to \$1.7bn in five years, and the business is becoming increasingly international - 80 per cent of new plant orders last year were non-US. In the world combustion turbine generator market, the three-way alliance has moved from the

number five position in 1987 to claim number two spot last year with a 20 per cent share.

One of the biggest recent power contracts won by Westinghouse - in consortium with Mitsubishi - was for Euron's 1725MW Teesside plant, the largest combined cycle plant in Europe. Performance to date is 1,840MW, says Westinghouse.

But smaller orders also bode well for the future. An example was a brace of contracts announced in November and worth \$60m in total, to supply generating equipment to companies in Peru and Venezuela.

The turnaround in the power generation business has changed the profile of Westinghouse's power systems business. Power generation took over from the nuclear business in 1991 as the biggest single element of power systems, but the nuclear and process control segments, grouped together as energy systems, has also had some notable successes recently.

The new plants side of the nuclear business is relatively quiet, but the great advantage for Westinghouse is its unrivalled installed base of nuclear plants which need regular servicing and support - 173 of the 400 plants worldwide were either

supplied by Westinghouse or based on its technology.

Along with its successful nuclear fuel business, this means that the nuclear side can run profitably even without new orders, says Mr Nat Woodson, vice-president and general manager of the energy systems business unit.

The process control division has also distinguished itself by building the instrumentation and control system for the Sizewell B nuclear plant at Suffolk - at short notice after a French supplier's contract was cancelled in 1991.

Mrs Ann Pauley, general manager of the process control division, is targeting Poland and Czechoslovakia as the likeliest east European countries to be able to buy Westinghouse's sophisticated control systems - for nuclear or conventional power plants. Already the business is doing \$6m-\$10m a year of business in Poland.

In spite of these successes, however, the power generation business unit seems likely to become an increasingly important part of Westinghouse power systems. In this it will be helped by last year's multi-faceted agreement with Rolls-Royce. The UK company's aero-engine technology will be applied to Westinghouse's next generation of large gas turbines, helping it maintain its much improved position in increasingly competitive and global markets.

Andrew Baxter

# CAPTAINS OF INDUSTRY



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The industrial power sector represents 40% of the company's sales. Rolls-Royce is active in power generation, transmission and distribution, nuclear power, marine engineering - both on ships and on the dockside - oil and gas extraction and pumping. Collectively they give the company a broad base to stand on, making Rolls-Royce a leader in all its chosen fields.



THE SYMBOL OF POWER



## POWER GENERATION EQUIPMENT 6

China is aiming for an extra 100,000 megawatts in the 1990s, writes Frank Gray

## Doors opened to foreign investment

China's energy planners are confident they will be able to add nearly 100,000MW of power generating capacity to the grid system by the end of the decade.

They are counting on accelerated inputs from foreign private sector investors to help achieve this ambitious target.

According to energy officials, a total of 12,000-15,000MW of new capacity are being planned for each year for at least the next decade, the major proportion destined for the rapidly industrialising regions in southern and eastern China.

Large power stations are also planned at coalfields in the interior.

These will require a major extension of transmission lines to shift electricity to the industrial centres. But this adjustment in the location of some new installations will also ease the burden on China's overtaxed rail coal haulage system and gradually minimise coal supply problems at far-distant power stations.

The growth, if attained, will

bring China's installed capacity to 265,000MW, against the current level of approximately 165,000MW.

According to Han Ying, China's vice-minister for coal, the mix will continue to be dominated by coal - some 70 per cent of China's power capacity is coal-fired. Annual coal production is expected to rise to 1.4bn tonnes per year by 2000 compared with 1.1bn tonnes last year.

The closing of inefficient pits and the commercialisation of the coal-mining industry could lead to some new thermal projects using other fuel sources. Most of the balance is derived from hydroelectric power - China has Asia's biggest rivers - and preliminary work is already under way on the world's largest hydroelectric project, the 17,000MW Three

Gorges scheme on the Upper Yangtze.

The China Yangtze Three Gorges Project Development Corp. is now organising the bidding, which will be open to domestic and foreign contractors. First power from the complex could be on line early in

**China's first power generating reactor went on line at Qinshan, near Shanghai, last year**

the next decade.

A third factor in the generating mix is nuclear. Later this year, the first half of the 1,900MW Daya Bay nuclear power project in Guangdong Province near Hong Kong will go on line, to be followed a year later by phase two. The

complex is being built by a consortium of the Anglo-French GEC-Alsthom, and the French companies, Framatome, Electricité de France and Campanon Bernard.

The Daya Bay complex is expected to be succeeded by another of similar size in southeast China, to be built by foreign companies, which have not yet been designated.

China's first power generating reactor, a 300MW unit, went on line at Qinshan, near Shanghai, last year. The Qinshan plant is largely home-grown. A second is planned as part of a programme to add five new reactors with 3,000MW of capacity to the system by the early 2000s. All will be built in the northeast or the southeast.

The long lead times for

nuclear and hydroelectric mean that there are growing opportunities for non-coal thermal projects, not a significant factor at present. For example, the ABB Group recently announced a 300MW combined cycle contract on behalf of Hong Kong interests for a plant to be set up in southern China. "The average installation time for combined cycle is 18-24 months, whereas coal stations, which normally are much larger, take 36-48 months to install," an ABB official said.

Given China's 1.1bn population and a birth rate of 17m births a year, analysts say the major challenge will be on funding infrastructure projects. The central and regional power authorities have partially dealt with this by throwing open their doors to foreign

investment, not just minority holdings in joint ventures but full ownership.

They appear to have accepted in principle the need to establish a commercial approach to tariff rates, without which private sector involvement in the growth pro-

**The private sector phenomenon stems from the success of Hong Kong's Hopewell Group**

gramme will dry up.

Mr R.T. Fox, vice-chairman, Kleinwort Benson merchant bank, said in Beijing recently that he was encouraged by China's flexibility. "Ownership of a power project can vary from 100 per cent Chinese to 100 per cent foreign; the life the ven-

ture can be 10 years, 20 years or with no transfer date foreseen."

The private sector phenomenon stems from the success of Hong Kong's Hopewell Group, which formed two build-operate-transfer (BOT) projects in southern China, the long-completed 700MW Shajiao B scheme and the new 1,800MW Shajiao C scheme, now under construction.

Under these, Hopewell and partners build the plant and sell electricity at commercial rates to the local grid, turning the project back to Chinese ownership after a decade or so of ownership. Since then, BOT and other schemes with indefinite ownership for foreign companies have flourished.

In fast-growing Guangdong province, virtually all the 68,000MW of power stations to

be installed over the longer term could, it is suggested, have some private sector involvement.

The International Finance Corp., the private sector wing of the World Bank, has opened an office in Beijing. Sir William Ryrie, IFC vice-president, said the institution would provide \$800m to help finance projects with a total cost of \$3bn over the next three years. The Asian Development Bank says China's concessional rate borrowings could be as much as \$1m per year.

The World Energy Council has cautioned against over-optimism, suggesting the realistic tariffs hurdle still remained formidable.

As of last year, electricity shortages were about 20 per cent of prospective demand. "A total of 32 counties remain without electricity supply, but the average electricity price paid by urban consumers is only about 3 cents per kilowatt hour, well below the cost of production."

Frank Gray is the editor of *Power in Asia*

IRAN: Post-war build-up needs more power, says Jim Millard

## Energy and the ayatollahs

Since 1986, at the end of the war with Iraq, Iran's industrial activity has ballooned from 30 per cent of capacity to nearly 100 per cent as it struggles to repair past damage and meet the demands of the present for a population of some 55m people.

The government recognises that an adequate level of electrification, both in generation and transmission/distribution capacity, is crucial to the success of its economic reforms.

In the industrial sector, where power remains heavily subsidised, the emergence of heavy industries such as steel, aluminium, and petrochemical refining have helped to boost demand to an unprecedented 20 per cent annually. Overall, most observers see total demand continuing to grow at 10 per cent or more a year for the rest of the decade.

The two Five Year Plans published in 1986 and covering the period to 1998 show that Iran has allocated some \$12bn of its future foreign currency earnings to the electricity sector, \$6.5bn during the first Plan and \$5.5bn during the second. There is also a significant sum representing goods and services purchased with local currency or through supplier credits.

The exact value of the country's power generation equip-

ment market (which forms the bulk of its electricity sector spending but excludes downstream industries such as transmission and distribution equipment) over the same period is less easy to determine. But it can be estimated by costing the ministry of energy's proposals for broadening the base and peak load generating capacity from around 13,300MW in early 1982 to an extremely ambitious 34,000MW by end-1998.

Averaging the expense of a mix of thermal, gas-fired and hydroelectric plants at a conservative \$1,000 per installed kilowatt produces a future gross figure of about \$3bn a year of which local contracting and supply might account for 30-40 per cent.

Although the present tight budgetary conditions, introduced to cushion the blow of the government's decision to devalue the rial, mean that such figures are probably slightly ambitious, western suppliers are under no illusions that Iran is by far the most significant market in the Middle East region.

According to the ministry's power planning bureau, the total capacity of plants under construction at any given moment totals 80 per cent or more of the capacity currently in operation.

The government has little option but to press on, as power failures and brownouts are already a reality. It is a telling reminder of the scale of the challenge that even if all the 30-odd power plants involved in the programme are commissioned on schedule, the ministry does not expect to enjoy any surplus capacity until 1997 at the earliest.

The ministry of energy has mapped out a programme to meet both the urgent short-term undercapacity that threatened to strangle any hope of economic revival and provide cost-effective generation in the medium term and beyond.

The last five years saw the widespread installation of simple cycle gas turbine sets of 50-120MW units which can be easily incorporated into older (pre-1980) thermal plants for immediate connection to the transmission grid. Many will subsequently be converted to combined cycle gas turbine (CCGT) use by adding waste heat recovery boilers and steam turbines.

By contrast the next five years will see the emergence of a mixed bag of thermal, combined cycle, and hydroelectric projects, the latter comprising four major projects on the Karun river in the south-west, and a 1,000MW pumped storage plant at Shabshah on the Caspian sea in the north.

However, large hydroelectric

**There is mounting evidence that Iran may have trouble raising the necessary funds for several of these megaprojects**

schemes cost around \$1,500 per kilowatt. The completion of the Karun-3 (3,000MW) and Karun-4 (2,000MW) stations depends on A-B-Niroo, the ministry's hydro wing, securing sufficient foreign loans and supplier credits.

The government already has permission from the majlis (parliament) to raise up to \$3bn in loans and credits to help provide for both Karun plants, Shabshah, and a 1,000MW extension to Karun-1.

While a consortium comprising ABB Kraftwerke, Voest and Sulzer has secured the contract for the primary equipment orders for the Karun-3 hydro-electric plant, Japanese companies are tipped to win the primary contracts for the Karun-4 plant on the back of Japan's propensity to offer finance when others are increasingly reluctant to do

so. Japan is expected to confirm shortly its decision to provide a \$325m loan for Karun-4 through its official development assistance (ODA) programme.

However, there is evidence that Iran may have trouble raising the necessary funds for several of these megaprojects - possibly deferring commissioning by years. US opposition to any further World Bank power sector loans is compounded by Tehran's view that many of the Bank's condi-

tions, such as institutional reform and higher electricity tariffs, are unacceptable.

Nonetheless, a \$165m loan to the Tehran Regional Electricity Company (TREC) was approved by the Bank at the end of April to cover a range of electrification projects including part of the upgrade of the Qom power plant from open-cycle to combined-cycle.

Any significant borrowing difficulties could impact seriously on the ministry's plans. "Karun-3 is undoubtedly our top priority at this time," says Mousa Refai, chairman and managing director of state-controlled A-B-Niroo - also known as the Iran Water and Power Resources Development Company (IWPRC).

Large thermal plants will also play a significant role. Work has now started on a \$450m turkey oil and gas-fired plant at Arak in the west of the country. An international consortium comprising Canadian companies Babcock & Wilcox and Bowden Group Canada, and Nuova Cimmon-tali (Italy) and GEC Alsthom

(UK-France) will be supplying the 2 x 550MW plant for commissioning in 1996.

In the short term, however, orders will continue to be for simple gas turbine and CCGT type stations such as Gilan (1,350MW) in the north, and Shahid Montazer Ghazem (1,080MW) and Shahid Rajai (1,080MW) near Karaj, west of Tehran.

In March, Tavand, the state utility responsible for all power-generation outside Tehran, took delivery of the last of 14 PG9001/E gas turbines supplied under a \$350m deal with John Brown Engineering of Scotland. Rated 124MW each, the turbines are to be installed at the Shahid Rajai, Shiraz, and Shariat plants, where they will later be converted to combined cycle operation.

Anglo-French power group GEC Alsthom also completed delivery of a similar size order for the 14 complementary 125MW generators.

Siemens KWU of Germany has also thrived in Iran, securing contracts or letters of intent for the Gilan and Tehran South (proposed 2,400MW) stations, although past controversy may yet return to haunt the company in the form of Iranian litigation over the incomplete 1,300MW nuclear station at Bushehr, abandoned

by KWU at the start of the Gulf war.

Through its Atomic Energy Organisation (AEO), the Iranian government has already spent an estimated \$5.5bn on the plant, now blocked by the German government's refusal to grant export licences for crucial equipment.

This impasse was sorely tested towards the end of last year when the Qeshm Island Free Trade Authority, flagship of Iran's free market experiment, signed a letter of agreement with Siemens for the finance and construction of the first of four 250MW CCGT units. Under the terms of the agreement, Siemens will invest some \$340m into the project, which it will continue to operate on a build-operate-transfer (BOT) basis.

If the government bows to AEO pressure to penalise Siemens, either through trade sanctions or by intervening to block the Qeshm deal, it stands to lose much of its credibility with potential foreign investors. Observers see the most likely outcome to be some form of compensation whereby Iran recovers some of its lost capital to reinvest in other programmes, while Germany protects its position as Iran's premier trade partner.

Jim Millard is deputy editor of *Middle East Electricity*

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FINANCIAL TIMES SURVEY

# PHILIPPINES

Tuesday May 25 1993

■ Radical economic reforms are a high priority for the new administration: PAGE 2

■ President Fidel Ramos wins allies in a quest for political stability: PAGE 3

## SECTION IV

Since coming to power last year with a less than overwhelming mandate, President Fidel Ramos has nevertheless managed to prompt a renewal of hope among Filipinos and foreign investors alike. But it is far too early to talk of optimism on the troubled economic front, reports Victor Mallet

## A long way still to go

It is hardly surprising that Filipinos spend much of their time looking back nostalgically to the 1950s when their economy was one of the strongest in Asia: the present is often too depressing to contemplate.

As if it were not enough to have watched the dynamic, export-driven economies of their south-east Asian neighbours one by one overtaking the Philippines, the inhabitants of the capital Manila are now being subjected to the added humiliation of all-day power cuts and a surge in kidnapping and violent crime.

Visit the office of a Filipino businessman or government official in Manila, and the chances are that you will find him cursing and sweating in the summer heat without the benefit of air-conditioning. The previous administration of Mrs Corason Aquino, who toppled the late dictator Ferdinand Marcos in 1986, neglected to invest in new power stations.

The arrival of Mr Fidel Ramos in the Malacanang presidential palace has prompted a growing number of Filipinos and foreign investors to look to the future with renewed hope, although it is too early to talk of optimism.

The cigar-chewing President Ramos, the general who as armed forces chief protected Mrs Aquino from seven attempted coups d'état by right-

wing military rebels, was her chosen presidential candidate in the May 1992 elections. He won with only 23 per cent of the vote, beating six rivals including Mrs Miriam Santiago, the anti-corruption campaigner, Mrs Imelda Marcos, the dictator's flamboyant widow, and Mr Eduardo Cojuangco, a Marcos "crony."

Since coming to power in June with this less-than-overwhelming mandate, Mr Ramos has successfully consolidated his support among Filipinos by touring the country and addressing public rallies; by attempting to make peace with a variety of rebels, including the right-wing military officers, the communists and the Muslim separatists in the south; by reshuffling the leadership of the notoriously corrupt police force (some of whose officers were accused of taking part in the kidnappings of ethnic Chinese and foreign businessmen); and appointing Mr Joseph Estrada, the vice-president and former film star, as head of an anti-crime force; and above all by making alliances in the Congress which had so often stymied his predecessor Mrs Aquino.

This congressional support allowed Mr Ramos to grant himself special powers in April under the Electric Power Crisis Law to deal with the electricity shortage.

He will be able to push

through new power station projects and to bypass the country's notoriously slow procedures for screening bids and granting environmental clearance certificates. The new law also gives him the right to raise electricity prices - an option previously blocked by a Supreme Court ruling - and thereby satisfy International Monetary Fund and World Bank conditions for a new international lending programme.

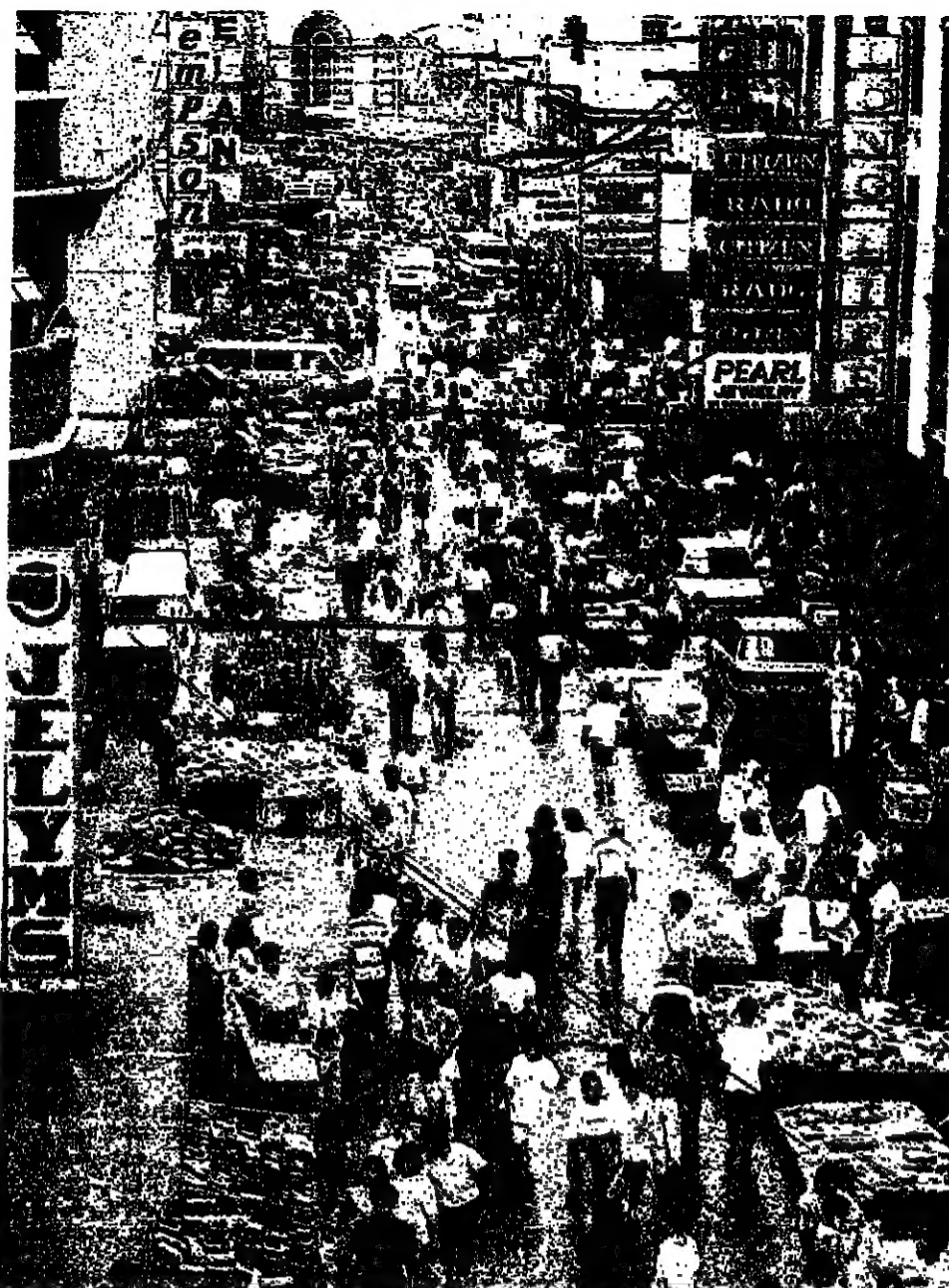
The public debate over the new law, conducted with a vigour and openness so lacking in most other south-east Asian countries, goes to the heart of the Philippine dilemma.

On one side of the argument are the disciplinarians, including many businessmen, who believe that the Philippines should pay more attention to discipline and law enforcement than to the kind of freedom and democracy - characterised by interminable lawsuits - that the country inherited from the US, the former colonial power.

These disciplinarians nodded approvingly when Mr Lee Kuan Yew, the founding father of Singapore, expounded his gospel of authoritarianism on a recent visit to Manila at the invitation of the Philippine Chamber of Commerce and Industry; they also generally approve of the granting of special powers to Mr Ramos to deal with the electricity crisis, and would probably agree with the local newspaper columnist who joked that the Philippines suffers from being a member of a special kind of NATO: "No Action, Talk Only."

On the other side are the libertarians. They fear that such special powers could be the thin end of a wedge which might eventually open the door to a new dictatorship, thus throwing away the hard-won gains of the uprising that put an end to the Marcos era. The waiving of regulations on bidding, they add, is an invitation to further corruption.

President Ramos's relaxed and undictatorial demeanour - as well as the evident and urgent need both to crack down on crime and build new power stations - has helped to



In the sprawling, dusty streets of Manila, most Filipinos are still awaiting prosperity. Pictured here is the busy open air market in the Quiapo district of the capital. Picture by Patrick Nagasaki Lucero

calm such fears. If anything, his supporters want Mr Ramos, known as "Steady Eddie" because of his methodical ways, to move quicker to restore the country's fortunes. Notwithstanding the lack of new power stations, Mrs

Aquino did attempt in her last two years in office to restore the health of the Philippine economy with a series of measures liberalising imports and foreign investment rules, and Mr Ramos has been able to build on that in an attempt to

compete with capital-hungry Indonesia, China and Vietnam for foreign investors.

Following the departure of US forces from their bases in the Philippines, and the associated loss of hundreds of millions of dollars each year in

revenue, Mr Ramos has assiduously courted Japanese and other Asian investors with a round of overseas visits.

In August last year he dismantled foreign exchange controls on current transactions, and in an effort to boost the economy this year the administration has embarked on a "pump-priming" exercise of doubtful value whereby government departments were supposed to weight their spending on roads, housing and other infrastructure towards the first half of the year.

After zero economic growth and a poor performance by the agricultural sector last year, the government initially aimed for a 4.5 per cent rise in real gross domestic product this year, but most businessmen and diplomats regard the target as unachievable because of the crippling blow to industry delivered by the power crisis on the principal island of Luzon. At best, they say, the economy is likely to grow by two per cent; that compares with a population growth rate of 2.4 per cent and would mean that the average Filipino will continue to get poorer in 1993. But the economy is showing a number of promising signs, so much so that the peso actually strengthened for a time following the foreign exchange liberalisation as dollars from overseas workers, tourists, property speculators and stock market investors flooded into the market.

The relatively strong peso has made life even harder for exporters, but they can at least take comfort from the fact that inflation has been restrained below 10 per cent and worker militancy has decreased. The outflow of dollars to service the country's \$30bn of foreign debt has fallen to below 20 per cent of export earnings, and the World Bank has redesignated the Philippines as a "moderately indebted" (rather than "severely indebted") developing country.

After frantically buying dollars to control the rise of the peso, the central bank has \$50m of reserves and has been buying back Philippine debt at a discount on the international

market; there is a further \$5bn of foreign exchange in the commercial banking system.

In February, the Philippines successfully borrowed \$150m on the eurobond market after an absence of more than a decade, and hopes to borrow more. Negotiations are due to resume shortly with the IMF for an extended fund facility of \$900m-\$1bn over three years, which would pave the way for a delayed Paris Club rescheduling of bilateral debt and other borrowing agreements.

"This will be our last programme involving a special relationship with the IMF, where we are in effect wards of the IMF," said Mr Ramon del Rosario, the finance secretary, in an interview with the Financial Times. "We are approaching a situation where we can be back on our own."

OUTSIDE the capital, some areas - notably on the island of Cebu and along the industrial corridor south of Manila - have succeeded in attracting foreign investors and developing export industries.

Mr Ramos, however, will face many obstacles as he struggles to achieve his aim of achieving double-digit economic growth by the end of his term in 1998. Although the country is probably more stable politically than at any time in the last decade, and some Filipinos have started to whisper that the days of coups d'état are over, it would take a bold pundit to stake his reputation on such a prediction.

A large backlog of work also remains to be done in building and repairing the country's physical infrastructure, not just for power stations but also for roads and water supply. Economists estimate that the government's per capita real spending on infrastructure has fallen by about 40 per cent in the last decade: the traffic jams in Manila seem as bad as those in Bangkok - and Manila does not have the excuse of an economic boom.

Unsustainable population growth is another problem in this predominantly Roman.

Turn to next page

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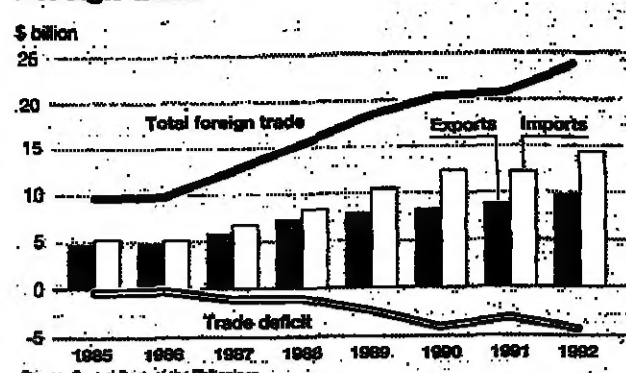


## PHILIPPINES 2

## THE ECONOMY: Jose Galang on prospects for sustainable growth

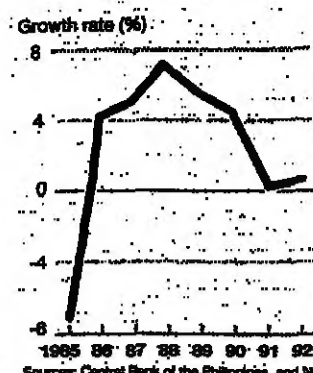
## Reforms are a high priority

## Foreign trade



Source: Central Bank of the Philippines

## Real GNP



Source: Central Bank of the Philippines, and National Economic and Development Authority

## Inflation



Source: Central Bank of the Philippines, and National Economic and Development Authority

AFTER a decade marked by recession, government indecision and missed opportunities, the Philippine economy again seems to be preparing for a long-delayed take-off.

Economists believe the new government of President Fidel Ramos has a better chance than its predecessors of achieving sustainable economic growth, partly because it has inherited some healthy macro-economic reforms from the previous administration.

Further, the ten-month-old government has demonstrated a keen determination to pursue crucial reforms - backed by the International Monetary Fund - to open the economy and pave the way for robust growth. In the past, similar attempts wilted amidst the politically destabilising effects of the reforms.

The medium-term outlook, however, will continue to be hampered by the inadequacy of the country's infrastructure. Among the worst problems are the shortage of electricity generating capacity and the inefficient transport systems in the archipelago of 7,100 islands.

In common with other developing countries, the Philippines has only scarce resources for its myriad programmes. Low domestic savings rates have been a chronic problem, which gives the country no recourse but to tap foreign financing. Even now the cost of servicing the country's foreign debt of some \$300m remains a large item on the budget. While efforts to reduce the debt burden continue, the government also needs to increase revenues by improving the efficiency of tax collection and boosting exports.

Beyond these roadblocks, however, the Ramos administration has set targets designed to put the economy on track towards modernisation as it steps into the next century.

The three main goals of the Ramos economic agenda are:

■ To raise economic growth rates to double digits by 1998.

■ To raise per capita income to at least \$1,000, from about \$730 at present.

■ To reduce poverty incidence to 30 per cent of the population, from about half now.

Mr Ramos and his economic managers, led by Mr Ramon del Rosario, the finance secretary, have already put market-opening policies in place. In August 1992 most restrictions on foreign-exchange transactions were lifted. This was followed in April this year by a decision to allow the use of medium and long-term foreign loans to cover exporters' costs, which previously was restricted to import costs of materials.

Among the policy measures initiated by the previous administration of Mrs Corason Aquino is the Foreign Investment Act, which allows up to 100 per cent foreign equity in local enterprises. This is now being followed up by the new government with more specific measures to open up certain sectors previously restricted to Filipino interests, such as in land usage and minerals exploration.

The ongoing tariff reform programme has also reduced nominal import tariffs to an average 23 per cent, from about 42 per cent at the start of the 1980s. By 1995, the effective protection will be down further to 19 per cent, making the Philippines one of the most liberal markets in the region.

While the Aquino government's dissolution of monopolies in the agricultural sector early during its term saw almost immediate results in boosting farm incomes, the response to the Ramos administration's initial round of reforms has yet to be felt.

This is because of other fundamental problems, such as

high domestic interest rates and the strength of the peso against the dollar over the last year. Inflation has been brought down to an average 8.9 per cent in 1992, from 18.7 in 1991, and the current programme targets a 1993 average of 7.5 per cent.

INTEREST rates softened in April, prompting speculation to sell the peso and boosting the stock market to a record high. Costs of financial intermediation have fallen with the reduced level of reserves that banks are required to hold against bank deposits and the increase in the amounts that state banks can lend in proportion to their deposit bases.

Even greater benefits are expected from the move to replace the Central Bank of the Philippines with a more independent Central Monetary Authority with a healthier financial base. The Central Bank's activities towards maintaining price stability are being hampered by huge defi-

cits, particularly those incurred under the late dictator, Ferdinand Marcos. A law is expected to be passed by Congress by mid-year creating the new CMA. Without the crippling deficits, the new agency should be able to steer monetary expansion more efficiently.

Barring a further deterioration in the electric power situation, business expects a more favourable climate following these changes in the macro-economic environment. However, given that the daily power failures are expected to continue to curtail operations until the third quarter of the year, overall economic growth is now forecast by independent economists at no more than 2.5 per cent, substantially lower than the government's forecast.

Mr Jose Pardo, president of the Philippine Chamber of Commerce and Industry, says: "Amidst the darkness [caused by power failures or 'outages'], we see somehow a growth in 1993 - perhaps the recovery

that we had anticipated in 1992." The more significant business expansion, Mr Pardo believes, can be expected to start next year. But even the slow rate of growth this year should not be a problem.

While government officials insist that the 4.5 per cent growth target this year is in fact "achievable", a low growth rate that is accompanied by suitable reform measures should over the long run be more beneficial for the Philippines. The economic "dragons" of East Asia, which the Philippines is using as models for its shift away from its current Latin American-type dilemma, started out with small growth rates on their way to rapid economic advance.

Besides, past experience shows that high-growth periods in the Philippines were usually cut short by balance-of-payments crises. This was due to the increase in consumption spending's share of GNP, as opposed to a healthier expansion supported by increased

capital spending. The government aims to channel increasing amounts into capital investments via an aggressive infrastructure projects. This year, for instance, it has front-loaded spending for infrastructure projects in a "pump-priming" programme that will seek to increase capital expenditures and perk up domestic demand.

It would be short-sighted to judge the prospects for the Philippine economy purely on the outlook for electricity supplies. Agriculture, for instance, which is still the main source of livelihood for most Filipinos, is expected to record significant gains this year with the expected improvement in weather conditions. Crop production in the past two years had been affected by drought in most provinces and typhoons in others. The Department of Agriculture expects self-sufficiency in rice this year with production reaching 10m tonnes. Sugar output will also increase, with producers already looking at

## KEY FACTS

|                       |                 |
|-----------------------|-----------------|
| Area                  | 300,00 sq. km.  |
| Population            | 62.9m           |
| Head of State         | Fidel Ramos     |
| Currency              | Philippine peso |
| Average Exchange Rate | 1991 \$1=27.479 |
|                       | 1992 \$1=25.512 |

| ECONOMY                                      | 1991   | 1992   |
|--|--------|--------|
| Total GDP (\$bn)                             | 50.6   | 50.1   |
| Real GDP growth (%)                          | -0.9   | -0.4   |
| Components of GDP (%)                        |        |        |
| Private consumption                          | 73.9   | 76.6   |
| Government consumption                       | 26.1   | 23.4   |
| Exports                                      | 29.4   | 30.2   |
| Imports                                      | -31.6  | -34.7  |
| Inflation rate (%)                           | 18.7   | 9.0    |
| Annual percentage growth in narrow money (%) | 15.9   | 18.0   |
| FT-A share price index (%)                   | 28.5   | -1.8   |
| At year end                                  |        |        |
| Reserves minus gold (\$m)                    | 3,246  | 4,403  |
| Discount rate (%)                            | 10.75  | 9.38   |
| Trade  |        |        |
| Current account balance (\$m)                | -1,034 | -1,144 |
| Exports (\$m)                                | 8,840  | 9,100  |
| Imports (\$m)                                | 12,051 | 13,386 |
| Trade balance (\$m)                          | -3,211 | -4,286 |
| Main trading partners (%)                    |        |        |
| USA  | 35.9   | 20.4   |
| Japan  | 20.2   | 19.7   |
| Germany                                      | 5.7    | 3.8    |
| UK   | 4.2    | 1.8    |
| EC   | 18.9   | 10.3   |
| Hong Kong                                    | 4.5    | 4.8    |

(1) 1992 estimate. (2) Full year 1991, Q1-3 1992 over Q1-3 1991. (3) Q1-3 1992. (4) Annual percentage increase in CPI. (5) Money. Full year 1991, Q1-3 1992 over Q1-3 1991. (6) Annual percentage increase in local currency at year end. (7) Discount rate at year end 91 and Nov 92. (8) Trade figures 1992 are Q1 plus Q2 92 at an annual rate. (9) Trading partners percentage share of trade in 1991. Sources: IMF, Economist Intelligence Unit.

the attractive prices on the world market.

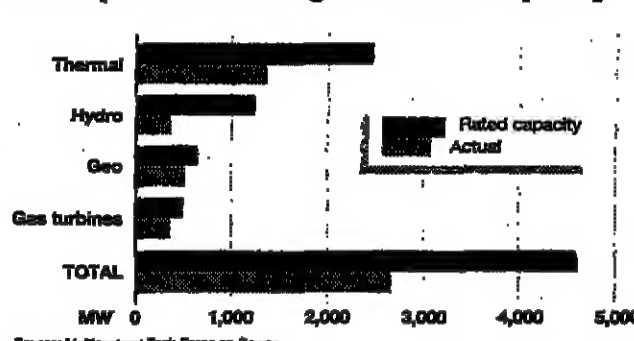
Remittances from Filipino overseas workers, estimated to top \$2bn again this year, will continue to play a key role in the economy. In the past two years, the foreign exchange brought home by two million

Filipinos employed abroad has helped offset the poor performance of the domestic economy. The growth in remittances has already outpaced that of exports, although this is likely to change if the exchange rate becomes favourable to exporters again.

## POWER FAILURES

## Disruptions hit industry hard

## Plant performance against rated capacity



Source: Multinational Task Force on Power

the Luzon power demand, was completed in 1986 but was mothballed by the previous government because of protests arising from safety fears and allegations of corruption in its construction.

Of the total national electric power-generating capacity of 6,000MW, the Luzon grid accounts for 4,400MW. However, in practice only about 2,500MW of the Luzon capacity is available because sections are under repair or being refurbished, and others, particularly the hydroelectric plants, have water-supply problems.

Given the peak demand of 3,200MW from its industrial and residential users, National Power Corporation (Napocor), the state-owned generating agency, already faces a shortage even before the day starts. Napocor thus has to ration what it can generate to its consumers.

Every 100MW of deficiency in the supply translates into another hour of power-failure a day. The deficiency has risen to around 800MW at the start of the Philippine summer in March. Around mid-April, the shortfall stood at about 500 MW.

In recent weeks, a variety of reasons have been given for power-plant failures. In one

case, imported spare parts reportedly "did not fit"; in another, a cooling tower in a geothermal plant was damaged by fire which was blamed on "faulty electrical wiring."

Many companies have had to

install their own generating sets, to reduce losses from shortened operating hours or spoilage of goods during processing, and the government estimates that total private generating capacity now

exceeds 800MW. Most of the generators use diesel.

Napocor has an ongoing "fast-track" programme to install, under build-operate-transfer arrangements with private groups, new capacities that will lead to reserves of some 500MW by September and to 600 MW by end-1993. The government hopes that the new plants will put an end to the power failures by September this year.

However, there is widespread scepticism, because of Napocor's poor track record.

The corporation had been seeking an increase in its rates, to be able to meet profitability standards required under its loan contracts with the World Bank. New financing is needed for its expansion plans, and any default in its loan commitments could cripple these plans.

It was in this environment that Mr Fidel Ramos, the Philippine president, sought "emergency powers" from Congress. While his request was granted, lingering fears over the "emer-

gency powers" used by the martial-law regime of the late Ferdinand Marcos meant that the new powers won by Mr Ramos were tamer than those he originally sought, and were only for specific objectives.

One of these allows Napocor a higher return from its customers, a way of skirting round a Supreme Court freeze on an earlier rates increase. The extra powers should now pave the way for the construction of crucial baseload plants which will enhance the Luzon grid's capacity by some 1,500MW.

These plants use coal or geothermal energy, rather than oil or gas, as in the "fast-track" plants which are being put up to bolster reserves. But the use of gas turbine systems ceases to be economical over long periods, due to added fuel costs. The move to construct baseload plants using cheaper energy sources, therefore, is critical for the long-term health of the economy.

Jose Galang

## Vital issues

Continued from previous page:

Catholic country. As a Protestant, Mr Ramos (with the help of his condom-waving health minister, Mr Juan Flavio) may find it easier to tackle the issue of family planning than would a Catholic, but an open confrontation with the powerful Catholic church would be risky for the president.

Last, but not least, there is

the environment. Deforestation has contributed to erosion and thereby to the silting of dams and a reduction in the output of much-needed hydro-electricity.

Of the top five manufacturing industries identified as particularly beneficial to the economy on the grounds of export potential, employment and other factors, two - wood processing and fish processing - are directly dependent on effective environmental protection which does not yet exist in

the Philippines. The valuable tourist trade also depends on a clean environment.

In Manila today, pedestrians hold handkerchiefs to mouth and nose to try to filter out the dust and diesel fumes from the filthy air they are forced to breathe. From Taipei to Bangkok, that seems to be a price Asian city-dwellers are prepared to pay for increasing prosperity. The Filipinos have got the pollution; they are still waiting for the prosperity.

## PHILIPPINE BUSINESS OPPORTUNITIES

Opportunities available at the National Development Company (NDC) are the following companies for privatization:

**NATIONAL STEEL CORPORATION (NSC)** - The Philippines leading manufacturer and supplier of steel products with an annual production of 920,000 metric tons.

**PHILIPPINE ASSOCIATED SMELTING AND REFINING CORP. (PASAR)** - The country's only copper smelting-refinery with a capacity of 138,000 MT per year of high grade electrolytic copper cathodes.

**PHILIPPINE PHOSPHATE FERTILIZER CORPORATION (PHILPHOS)** - The largest phosphatic fertilizer plant in Asia and among the largest in the world, with a rated capacity of 936,000 MT of granulated fertilizer.

**NDC-GUTHRIE PLANTATIONS, INC. (NGPI)** - Major supplier and manufacturer of crude palm oil and palm kernel, operating a 6,800 hectares of fully planted palm oil plantation.

**REFRACTORIES CORP. OF THE PHILS. (RCP)** - The country's largest manufacturer of high-grade basic refractories, mostly for the cement industry.

**SEMIARA COAL CORPORATION (SCC)** - The country's largest coal mining company, with an annual capacity of 600,000 to 900,000 tons.

**NATIONAL SHIPPING CORP. OF THE PHILS. (NSCP) AND Three Liner Vessels** - The country's only flag carrier that offers liner services for containerized cargo in Manila, Hong Kong, Taiwan, Korea, San Francisco and Los Angeles, USA.

Information on the above companies may be secured from:

**NATIONAL DEVELOPMENT COMPANY**  
371 Gil. J. Puyat Avenue, Makati, M.M., Philippines  
Tel. Nos. 818-32-84 • 818-37-90 • 87-89-18  
FAX Nos. (632) 815-99-82 • (632) 815-44-72

THE RECENT battle for control of newly privatized Philippine Airlines (PAL) has served to emphasise an old truism: the Philippine economy is dominated by a small number of very powerful business families with surnames such as Cojuangco, Ayala and Soriano.

Such families often trace their strength to the quasi-feudal relationship between master and peasant which still exists in much of the countryside, and some of them have increased their influence by co-opting up to successive central governments in Manila and by protecting their industrial enterprises behind high tariff barriers.

The privatisation of PAL in January 1993 has involved several of the country's best-known business families in a bruising and complex battle for control of PR Holdings, which bought 67 per cent of PAL from the state for \$370m.

Mr Antonio "Tonyboy" Cojuangco, president of Philippine Long Distance Telephone (PLDT) and the former PAL chief, lost the first round of the PAL fight to Mr Lucio Tan, a Chinese-Filipino businessman with tobacco and banking interests, partly because Mr Cojuangco himself had secretly approached Mr Tan to help finance the transaction when he was unable to raise enough cash.

Mr Andres Soriano III, head of the San Miguel beverage and food conglomerate, regards Mr Tan as a dangerous rival in the brewing industry (Mr Tan has been marketing a beer called "Beer" which looks remarkably like San Miguel's own brand but costs less). Mr Soriano, like the Ayala family, had been allied to Mr Cojuangco against Mr Tan for the airline deal.

But Mr Soriano, outraged by Mr Cojuangco's scheming, apparently ended up selling his stake to Mr Tan via International Container Terminal Services, which wanted a ground handling contract from PAL.

There was a serious side to this unedifying and as yet unfinished saga, namely a dis-

pute between Mr Tan and Mr Cojuangco over the wisdom of buying \$1.2bn of new aircraft.

Mr Tan wanted more emphasis on regional rather than long-haul routes. But the squabbling forced the government, which still holds a stake in the airline, to intervene and impose a compromise. Both Mr Gabriel Singson, the new PR Holdings chairman, and Mr Carlos Dominguez, the new PAL chief, are effectively government appointees.

Mr Tan is now reported to be seeking to sell his stake of just over 50 per cent in PR Holdings, describing his involvement in the airline as "a big headache."

An equally murky war has been waged over the location of the new, unified Philippine stock exchange (at present there are two exchanges, one in Makati and one in Manila).

A vote among stockholders in March chose Philrealt Holdings' Tektite Towers, in territory controlled by the Ortigas family, over a site owned by the Ayala family; but the margin of victory was narrow and the losers are challenging the result.

Mr Tan is regarded as something of an upstart by the dynasties which can trace their influence back to the days of Spanish colonialism, but his name, like theirs, seems to crop up again and again when big deals are being discussed in the Philippines.

The late Ferdinand Marcos helped to justify his dictatorship with a populist commitment to reduce the power of wealthy landlords and businessmen, but he gathered around him a set of equally influential business "cronies" instead; when he was overthrown in the uprising which brought Mrs Corason Aquino to the presidency in 1986, some of the cronies found themselves in trouble and Marcos's

old enemies emerged once more to flex their financial muscles.

The legacy of these continuing struggles is a corrosive uncertainty in the world of Philippine big business.

The Soriano family company San Miguel, for example, was brought under the control of Mr Eduardo Cojuangco (a Marcos associate who is one of Antonio's cousins) in the time of Marcos. The Aquino administration seized some of the Cojuangco-controlled shares in the company, saying they were unfairly obtained, but he is

The legacy of continuing struggles and financial disputes involving influential "cronies" from the Marcos era is a corrosive uncertainty in the world of Philippine big business

fighting in the courts to retrieve them.

Ownership of part of PLDT is also under a cloud; in March the Presidential Commission on Good Government declared that the 44 per cent stake in PLDT's holding company claimed by the Cojuangco family may have in fact been owned by Marcos and therefore was at risk of seizure by the state.

Like others before him, President Fidel Ramos has vowed since his election in May last year to liberalise the economy and reduce the power of inefficient monopolies, although he has moved with deliberate caution to avoid antagonising the business community; his critics say the government, by intervening in PLDT, San Miguel and PAL, is taking an unhealthy interest in running big businesses.

There is this intention to

really overcome or eliminate inefficient monopolies in our economy," said Mr Cleito Habito, the Socio-Economic Planning Secretary in the Ramos administration and head of the National Economic and Development Authority.

"My impression is that 90 per cent or more of the population is supportive of this trend." But he added: "We don't want to overdo this. We don't want to do this to the point of discouraging investment."

Filipino businessmen, even those with free market tendencies, are concerned that Congress might pass anti-trust legislation so sweeping that it provides further avenues for corruption and litigation in a country already over-burdened with both.

Although the big families are mostly fighting each other, some of them are starting to grumble about Mr Ramos's drive to increase competition. Mr Jaime Zobel de Ayala, head of the Ayala clan, complained in a recent speech that some officials were starting to regard businesses "particularly large and established ones" as detrimental to the national interest.

Seasoned observers of the Philippines believe Mr Ramos is bound to reach some sort of compromise with the big families he is targeting.

"The intention is sincere as a way of equalising the level of competition in the marketplace," says Mr Raffy Manalaya, senior investment analyst at Crosby Securities in Hong Kong, "but whether the implementation is going to be as steadfast and earnest as he would like people to think - PLDT is likely to be the focus of the government's attention for the time being. It is widely seen as an inefficient monopoly (there are only two

telephones per 100 people in the Philippines) and improvements would be welcomed by the people forced to use PLDT's service, including the sort of protectionist businessmen who might otherwise be expected to oppose liberalisation; there are, furthermore, plenty of competent international companies which would be delighted to compete with PLDT for the lucrative Philippine market.

The ground has been further prepared for the Ramos administration by accusations of bribery and skulduggery. PLDT has long resisted attempts to make it connect its network to other rival organisations such as Eastern Telecommunications, a Cable & Wireless affiliate, and it won an order from the Supreme Court to stop Eastern handling international traffic. Now, however, Eastern has suggested that the judgement read out by a supreme court justice - who has now resigned - was written by a PLDT lawyer.

Perhaps encouraged by these developments and by the likelihood of public support, President Ramos has ordered PLDT to allow other companies to connect with its network. He has also directed the government to exercise more vigorously its rights as a shareholder in PLDT and the holding company, replacing the government representatives on both boards.

The result of these moves is that Mr Antonio Cojuangco is starting to back down. In late March, PLDT announced that it was making connections with a number of other companies, including Eastern.

Big families still dominate the economy - and local politics in the Philippines and they are unlikely to lose control during the Ramos presidency, but they may - as Mr Ramos seems to be showing - loosen their grip slightly if the economy is again to compete with the rest of south-east Asia.

Victor Mallet

مكاتبنا في القاهرة



President Fidel Ramos is winning new allies, reports Victor Mallet

## Support grows for 'steady Eddie'

LIVING UP to his nickname of "Steady Eddie," President Fidel Ramos has advanced gradually but firmly on two fronts in an attempt to bring political stability to a notoriously unstable country and to consolidate his own authority following his election victory in May last year.

In September, he established the National Unification Commission, an advisory body with the task of mediating between the government and various rebel groups - including communists, right-wing military rebels and Muslim separatists - and with devising an effective peace process.

Mr Ramos has also won enough allies in Congress to ensure that the legislature does not block him at every turn in the day-to-day running of the Philippines. He has thus avoided so far the governmental paralysis which afflicted his predecessor, Mrs Corason Aquino.

The president made an inspired choice in naming Ms Haydee Yorac to chair the NUC. A lawyer with liberal credentials, she won respect as an incorruptible election supervisor for Comelec, the election commission, and is acceptable both to the establishment and to left-wing guerrillas, some of whom were her clients.

Both Ms Yorac and the government regard the military rebels as the most immediate threat to the security and stability of the Philippines.

The rebels did, after all, stage seven coup attempts against Mrs Aquino; Mr Ramos, as her armed forces

chief, was obliged to protect her.

Negotiations between the government and the rebels have already begun, and Colonel Gregorio "Gringo" Honasan, the charismatic officer regarded as the most influential of their leaders, is seen regularly in Metro Manila, either in restaurants or attending peace talks.

The assumption is that the rebels will be granted an amnesty and will in exchange disband their forces and give up their weapons - "I'm pretty confident that maybe within the year we will have a settlement," says Ms Yorac.

MEANWHILE, the communist threat has been sharply reduced by its international decline as a popular ideology. According to official estimates the number of partisans under arms in the Philippines has fallen from a peak of about 25,000 in the mid-1980s to a third of that number - "in terms of being able to overthrow the government, it's not forthcoming in the next 100 years," says Ms Yorac.

The communist party is racked by internal strife and is heavily infiltrated by military intelligence agents. Divisions have been deepened by Mr Ramos's decision to rescind a ban on membership of the

party; communists are being urged to abandon the armed struggle and to campaign legally in Philippine elections.

In spite of the weakness of the communists, the government is anxious to conclude a formal peace agreement because officials are finding it increasingly difficult to distinguish between political rebels and armed gangs; a deal would leave the bandits out in the cold and allow the government to tackle them as common criminals.

The Red Scorpion crime and kidnapping gang, for example, is led by former communist rebels, according to the government. In March, Vice-president Joseph Estrada, the ex-film star who heads the Presidential Anti-Crime Commission, was in a group of officials attacked with guns and grenades south of Manila as they investigated the death of a tax officer thought to have been murdered by the Red Scorpions.

No-one was killed, but Mr Estrada named supporters of Leopoldo Mablangan, a former communist commander known as "Comrade Hector," for the attack. Mr Mablangan, who recently surrendered, of taking part in kidnapping jobs for the Red Scorpions.

The government and the leadership of the communist



party have been haggling about the venue for a proposed second round of talks, and a meeting in Hong Kong is being considered. The atmosphere has not been improved by a

statement from Mr Jose Maria Sison, party chairman, who accused the NUC of being "a propaganda instrument of the US-Ramos regime".

Organising negotiations with rebels of the Philippines' Muslim minority is likely to be equally difficult. Again, it is hard to distinguish between political activity and crime in the lawless southern provinces where the Muslims are strongest, and again the Muslim movement is divided.

The Moro National Liberation Front, whose leader, Mr Nur Misuari, is based in Tripoli, Libya, does not want to negotiate with the government at the same time as the Moro Islamic Liberation Front, the more religiously-inclined faction which broke away from the MNLF 17 years ago.

Behind the various rebellions in the Philippines lies a widespread perception that the political system - even after the 1986 downfall of the late dictator Ferdinand Marcos - is unjust and favours the wealthy, influential families which have long dominated both business and politics. The NUC is also trying to tackle this problem and has hosted "public consultations" in most of the country's 76 provinces.

Ms Yorac says she is urging disaffected Filipinos to air their grievances constitutionally rather than militarily. She

reminds people that there are legal ways for the public to sack corrupt or incompetent officials, and that they can press for reforms suggested by the post-Marcos 1987 constitution; this, for instance, directs Congress to legislate against political dynasties, something it has so far failed to do.

It would be over-ambitious, however, to expect the political patronage system in the Philippines to transform itself overnight into a model democracy.

Mr Ramos, who was competing against seven rivals, won a mere 23 per cent of the vote in the presidential poll and his Lakas party fared poorly in congressional and local elections. He has therefore not flinched from making alliances with power-brokers to consolidate his position.

He co-opted (or, say the cynics, was co-opted by) Mr Jose de Venecia, a political organiser for Marcos who is now speaker of the House of Representatives. The result was a "rainbow coalition" of support for Mr Ramos, a euphemism meaning that many congressmen defected from the once dominant Lakas party and from Mr Eduardo Cojuangco's party and gravitated towards the presidency and its powers.

The whole House comes up for re-election in 1995, three years before Mr Ramos's term expires.



President Ramos's popularity has grown since his election victory

The Senate meanwhile replaced Mr Neptali Gonzales as its president with the more amenable Mr Edgardo Angara. Mr Ramos's amicable relations with Congress allowed him in March to win emergency powers to deal with electricity shortages - "you have to credit Ramos with the political ability to get the legislature behind him," says one leading foreign businessman.

President Ramos also felt obliged to seek popular legitimacy after his narrow election victory by touring the country to attend numerous rallies, a tactic some describe as a "post-election election campaign".

If the opinion polls are anything to go by, the president is doing fine. Not only do they suggest that 60 per cent of Filipinos approve of his performance, they also show that 46 per cent claim to have voted for him in the election - double the actual figure.

Stock market euphoria has faded, says Jose Galang

## Exchanges resist a full merger

AS ONE of the best performers in recent years among the world's emerging markets, the Philippine stock market has been receiving increasing attention from global investors.

In 1992, the Manila Stock Exchange (MSE) composite index closed the year 9.1 per cent higher, a growth which was, however, substantially slower than the 77 per cent recorded the year before.

The euphoria in the weeks that followed the election of President Fidel Ramos, in May last year, which pushed the index to a historical high of 1,580 points, has given way to a cautious optimism, especially since it became clear in October that existing electric power generating capacity may not be sufficient to sup-

port economic growth targets.

This year, most analysts expect the market to approximate last year's performance, with much of the growth in the second half.

In April, after the signing by Mr Ramos of an "emergency powers" bill that enables him to attack the power problem more decisively, the index level broke the record established in mid-1992.

However, foreign investors are by no means tripping over each other in their efforts to put money into the country's two operating stock exchanges, the 66-year-old MSE and the Makati Stock Exchange (MKSE), which was established in 1983 by a splinter group disenchanted at the time by the domination of Chinese-Filipino interests in the

older bourse. The Philippine market, despite its strong performance since 1990, has also been viewed as a volatile one. Furthermore, certain fundamental reforms are felt necessary to ensure investors of a level playing-field.

The two exchanges trade the same set of stocks, often at different prices, and give the impression - according to the watchdog Securities and Exchange Commission (SEC) - of price manipulation, especially since arbitrage is allowed.

The SEC has vigorously pushed for a merger of the two exchanges, but leaders of each detest the idea of being absorbed by the other. The proposal has been amended to a "functional unification", which member-brokers of the two approved overwhelmingly at a historic meeting last March. However, a key issue at the same meeting, the selection of the head office for the unified exchange, had remained unresolved owing to a fierce contest between two property firms, both regarded

as giants in the local real estate market.

The MSE is currently housed in Tekit Towers, owned by Philippine Realty and Holdings, which is located in the rapidly developing Ortigas Centre, where the Asian Development Bank has put up its new headquarters.

ON the other hand, the MKSE has its own building on Ayala Avenue, in Makati's financial district. It was established by Ayala Corporation, the oldest

business conglomerate in the Philippines, which is controlled by the Zobel family.

The debate has simmered down a bit since mid-April, with a move to declare both present locations as head offices, which will be linked up by a computerised system starting this July if no further delays are encountered.

Amid this acrimony, the two exchanges accounted for combined turnover of 154.5bn pesos (35.5bn) in 1992, almost double the level in 1991. Analysts forecast that turnover

will expand by a third this year.

While the composite index reflects price movements of a dozen stocks from the market's three sections, six stocks already account for over 80 per cent of the market capitalisation of 390bn pesos.

It is scarcely surprising that trading is often concentrated on these six firms: Philippine Long Distance Telephone, San Miguel Corporation, Ayala Corporation, Ayala Land, Philippine National Bank, and Manila Electric Company.

The Philippine stock market is also more sensitive to movements in interest rates and the peso-dollar exchange rate than to other macroeconomic figures. For instance, with the expected further decline in domestic interest rates, mir-

roring the downturn in Treasury bill yields, investor interest in stocks should grow over the next few months.

During the two-tiered exchange-rate era of the mid-1980s, which was characterised by volatile peso-dollar rates on the black market, speculative money was siphoned away from the stock exchanges, resulting in lean turnovers.

These days, with the exchange rate showing fundamental stability, funds are more partial to stocks.

The market at the end of 1992 was trading at a price/earnings multiple of about 15, from which level there has been not much change. This rating is considered competitive among the region's stock markets.

### SUBIC BAY SPECIAL ECONOMIC AND FREEPORT ZONE

## Magnet for new investments

EVEN when it was under US navy jurisdiction because of a treaty with the Philippine government, Subic Bay was highly regarded for its strategic location in the Asia-Pacific region.

The former military base served as a jump-off point for American operations in Vietnam during the 1960s and in the Gulf War of 1991. Now being converted into an industrial estate after the withdrawal of the last of the US forces in November 1992, Subic Bay is attracting business groups that require a well-equipped base to expand their activities in the region.

More than 2,500 companies, according to the ebullient Mr Richard Gordon, chairman and administrator of the Subic Bay Metropolitan Authority, have offered to locate operations in the area, now known officially as the Subic Bay special economic and freeport zone.

Among these businesses are four big international conglomerates, each of which expressed interest in taking over and running the whole zone. The SBMA, which is overseeing the conversion, turned down these proposals and opted instead to undertake the development itself.

Subic Bay "will be the magnet for new investments" into the Philippines, Mr Gordon told the Financial Times. "We are building an economic zone that can compete with other, similar projects in the region."

TAIWANESE investors, as a group, are among the most enthusiastic in setting up shop in Subic Bay. A 300-hectare area is being developed into an export processing zone for Taiwan companies. The Taipei government has pledged a \$20m loan to the SBMA to help develop that area.

Having been the US navy's largest military base overseas, Subic boasts a variety of top-class facilities that can readily accommodate investors. Its recreational areas, including an 18-hole golf course, are also certain to attract tourists.

The 6,000-hectare facility sits between a deep natural harbour on the west opening up to the South China Sea and a mountain range on the other side, which makes it an ideal

anchorage. The surrounding hills are regarded as protective barriers to any further *lahar* (volcanic debris) flows from Mount Pinatubo which is located north-east of Olongapo.

Existing infrastructure facilities include an airport, shipping berths and a well-maintained road network, as well as utilities (electric power plant, telecommunications, water and sewerage systems) and structures that can be used as warehouses, offices, hotels and medical centres. These make the zone attractive for businesses desiring an early start-up.

A 123-hectare petroleum, oil and lubricants depot has only recently been leased for \$100m to Coastal Petroleum, the 10th largest petroleum-refining company in the US. The lease covers a 25-year period.

The depot has 68 individual storage tanks with a combined holding capacity of 2.4m barrels, and an 844ft pier capable of servicing two 80-80,000 deadweight tonne vessels simultaneously.

Mr James Paul, president and chief executive officer of Coastal, was recently in Manila to sign the contract with the SBMA. He said its Subic facility "has effectively and strategically positioned [Coastal] to supply gasoline, gasoil, jet and bunker fuel to the Pacific Rim," which he described as "the world's fastest-growing petroleum consumer."

That is the type of investment that the Subic zone wants to capture. An official in the SBMA's corporate planning office said the objective is "to prove that the Philippines can absorb foreign investments efficiently and quickly."

Subic Bay is likely to establish precedents that could benefit other industrial estates in the country. In the planned industrial corridor south of Metro Manila, private groups in the five provinces known collectively as "Calabarzon" (coined from the first syllables of the provinces' names) are converting farmlands into industrial enclaves where investors may put up factories.

Unlike Subic's network of advanced infrastructure facilities, these Calabarzon estates are still being modernised.

As an incentive to investors, enterprises operating at the

Subic Bay freeport zone are exempt from all national and local government taxes, and have only to pay a 5 per cent final tax on gross income. Currently, however, both the freeport zone and Olongapo's downtown are virtual "ghost towns" as the transition from a boisterous "good time" city into an envisioned industrialising economy proceeds at a slow pace.

While some companies are eager to come in, Mr Gordon speaks of the need to "make haste slowly". A master plan for the development of the zone, funded by the World Bank, covers only the former naval base itself. "We cannot go beyond what is in the master plan."

A factor that has to be taken into consideration is that the area was originally configured not as an economic zone but for military operations.

The SBMA plans shortly to lease housing units for executives - "we can use the income for the construction of housing for the workers," says Mr Gordon.

BY this July, the first of the nearly 700 light and medium-sized industrial enterprises that are likely to be set up in the area reserved for Taiwanese investors, could be operational. Eventually, these enterprises could employ over 150,000 people.

The new jobs should enable the Olongapo economy, which in the past was mainly dependent on transient US servicemen, to perk up.

"You will have to devise other businesses when the new occupants of Subic come over," Mr Gordon warned Olongapo market vendors and small entrepreneurs recently. "If, in the past, you thought you've earned enough by swinging a sale with a drunken sailor, this time you will have to make your products and services truly competitive."

On the side of a hill fronting Olongapo's main road, huge letters are planted, Hollywood-style, with this exhortation: "Aim high, Olongapo."

Subic Bay freeport zone will have to take off before the people of Olongapo can heed the message.

Jose Galang

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## PHILIPPINES 4

Victor Mallet visits the island of Palawan, an environmental test-case for south-east Asia

## Protection for a final frontier

**T**HE SIGN at the "Bottle-ground" bar on Rizal Avenue, boasts: "Hot Women Plus Cold Beer."

With its brothels and Roman Catholic churches, there is not much at first glance to distinguish Puerto Princesa, the capital of the island province of Palawan, from any other town in the Philippines.

A typical family owns an old videotape of the wedding of Britain's Prince Charles to Lady Diana Spencer, and has eight children. Seven masses are celebrated each Sunday at the immaculate Conception cathedral, to accommodate the growing number of inhabitants.

Religion even penetrates the underground river, Palawan's main tourist attraction - "see this staid title - it is like the Virgin Mary," declares the boatman to his sceptical passengers. "And this one," he points at another apparently shapeless rock - "is like the Holy Family."

In one very important sense, however, Palawan is different. Elsewhere in the Philippines almost all the tropical forest has been destroyed, but about half of this long, thin mountainous island south-west of Manila is still covered with trees.

Elsewhere, coral reefs have been dynamited into oblivion, but in the waters around Palawan much of the coral and other forms of marine life have survived, making the area a paradise for divers and the source of two thirds of the fish for the national capital, Metro Manila.

Palawan has become a test case, not just for the Philippines but for south-east Asia as a whole: is it possible to preserve some of the region's beauty and natural resources for future generations, or must everything be destroyed to make room for an increasing population and for the traffic jams which

accompany the phenomenon known as "economic development"?

"Palawan, our last frontier: make it last. Stop illegal fishing," declares the roadside billboard in Puerto Princesa. Another billboard shows the diminishing size of fish caught over the past 20 years, and urges fishermen to stop using cyanide, which does not discriminate between baby and mature fish and therefore needlessly decimates fish populations.

The presence of the billboards is both bad news and good news. The bad news is that the battle to save Palawan's resources for the future is an uphill struggle; the good news is that a few members of the central and local governments are starting to take the matter seriously.

The very fact that Palawan is relatively undamaged - and undisturbed by separatist or communist rebels - makes the island a favoured destination both for poor migrants from other parts of the Philippines and for foreign tourists. Migrants follow the logging companies' bulldozers to clear farmland for rice, cashew nuts or coconuts, and the tourists come to find the tranquillity now lost in much of the rest of south-east Asia.

Palawan also has oil offshore and nickel deposits in the south, but the financial benefits - even when they come to the island rather than to the central government or to big business - are clouded by the inevitable disadvantages.

The island's population has doubled to about 600,000 in the past decade, and Puerto Princesa is



Bottled drinks for sale on the palm-fringed beaches of Palawan. The mountainous and relatively undamaged island is a favoured destination for poor migrants from other parts of the Philippines - and by foreign tourists. Picture by Victor Mallet

starting to smell of the diesel smoke and motor-cycle fumes generated by trucks and tri-cycle taxis; one of the nickel companies is being accused of polluting a river with laterite waste; there are fears that the gold

prospectors, who have recently rushed to the north of the island, will poison fresh water with the mercury they use to separate their gold from sand; and there are increasing signs that deforestation

is causing the erosion of land, silt-ing of rivers, and fresh-water shortages which have plagued other islands in the Philippines.

A moratorium on commercial logging in Palawan was imposed last

year, and more recently the authorities banned the transport of live fish which had been exported from the island to aquariums and to Chinese restaurants.

Enforcement of environmental regulations, however, is hard - "it's very difficult," says Mr Felipe Ortiz, the chief of forest management at the Department of Environment and Natural Resources (DENR) in Puerto Princesa. "There are many people in the city - and it's still a developing city. There's really a need for lumber."

Furthermore, big businessmen backed by private armies are still keen to export logs in defiance of the official ban. Court cases filed against those who violate timber laws are sometimes mysteriously dismissed, local officials say.

But the election of a new mayor and a more enlightened local government for the capital Puerto Princesa in May last year has given a boost to Palawan's environmental campaigners. "Before, they [the old officials] made lots of speeches about conservation, but meanwhile their people were out cutting trees," says Mr Ortiz.

In 1991, 14 members of Haribon Palawan, the island's main environmental group, were charged with subversion and harassment, although the charges were eventually dropped. Now, Haribon workers carry walkie-talkies provided by the local authorities so the two sides can work as a team.

The resounding defeat of Mr Ramon Mitra, the former speaker of

the Philippine House of Representatives, in last year's presidential election, is also a bonus for the environmentalists, since he was regarded as the political patron of Mr Jose Alvarez, a businessman from outside the island who has taken a leading role in the logging industry in Palawan.

Palawan's new mood of co-operation between the local authorities, environmentalists and inhabitants was underlined at a recent ceremony in the district of Tagabnet attended by Haribon representatives and local officials.

Twenty-two members of the Batak and Tagbanua tribes were awarded "stewardship certificates", giving them the right (under a national plan to control upland cultivation) to occupy and farm their land near the St Paul's national park. Previously they were regarded as illegal settlers. In exchange they must undertake not to expand their clearing by cutting down forest trees. Mr Mil Reynoso, the vice-mayor of Puerto Princesa, said too much deforestation would turn the country into a desert like Iraq - "it affects the personality of the people there," he said. "They are so hard."

It is by no means certain that the farmers fully understand their obligations under the scheme - one drunken smallholder immediately asked whether it was all right if he chopped down a protected species of tree because it was good for building houses - but at least a start has been made in winning the support of the inhabitants of Palawan for efforts to preserve the island's resources.

Mr Joselito Alisag, the activist lawyer who heads Haribon Palawan, is relieved that he finally has a few allies in the city hall. "We used to fight everyone," he says as he fingers his walkie-talkie. "Now we've got friends."

Earnings by overseas contract workers help to offset the stagnation of the domestic economy

## A key role for Filipino skills abroad

**T**HE STORY of how Mrs Pascuala Dastas, a Filipina domestic worker and mother-of-three, met her death illustrates the cruel consequences of a supposedly resource-rich economy that cannot provide enough jobs for its people.

Mrs Dastas left her three sons in the Philippines to seek employment in Hong Kong. She was killed in March while saving her five-year-old ward from a bus accident. Her body was brought home to a heroine's welcome - and President Fidel Ramos gave her a posthumous Bagong Bayani (new hero) award, handed out annually to outstanding Filipino overseas contract workers at the Labour Day celebrations.

The government long ago proclaimed OCWs as the nation's modern-day heroes for their contribution to the economy. During its debilitating slowdown in the mid-

1980s, earnings sent home by OCWs eased the situation in many Philippine communities.

Over the past two years, foreign exchange remittances have again partly offset the stagnation of the domestic economy. This year, remittances are projected to reach \$2.5bn, making Filipino manpower the country's leading export item.

From about 40,000 in 1975, the number of Filipino skilled and semi-skilled workers winning employment contracts abroad has reached 680,000 a year. This number does not include those who sneak away

to find employment illegally.

There are now two million Filipinos legally employed as construction workers, seamen, domestic helpers, hospital staff or nightclub entertainers in many parts of the Middle East, Europe, east Asia including Japan, and the US. Most of them earn up to five or six times what they would be paid in similar jobs back home - if they could ever get one. According to the Department of Labour and Employment, of the total 25.3m employable persons in 1992, nearly 2.3m were out of a job. By January 1993, the unem-

ployed total had declined to 2.18m people.

However, even among the ranks of the locally employed, there remains a high "under-employment" rate, which makes working overseas an attractive option for many. But as the deployment of OCWs has increased, so has the range of problems involving their relationships with their employers and with the families they leave behind. Charges of physical abuse and non-payment of correct wages are the most prominent.

This has put a strain on the staff

of Philippine embassies abroad. In areas with large number of Filipino OCWs, the country's diplomats have a hard time coping with the social problems that arise, and are sometimes accused of indifference.

At the same time, the Philippine foreign service has benefited from the OCW movements. Where there are large concentrations of such workers, Philippine embassies register large cash surpluses from fees related to the workers' tansfers. For instance, the embassy in Saudi Arabia, where there are an estimated 250,000 Filipino workers,

reportedly provides financial support for the operations of 12 diplomatic posts in Europe.

Yet social workers are increasingly worried about the rising number of inter-marriages among migrant workers and local nationals that lead to broken homes and other problems. A recent case involved the death, from hepatitis, of a Filipina who worked as a nightclub entertainer in Japan. According to the police, the body of the victim bore torture marks that indicated foul play.

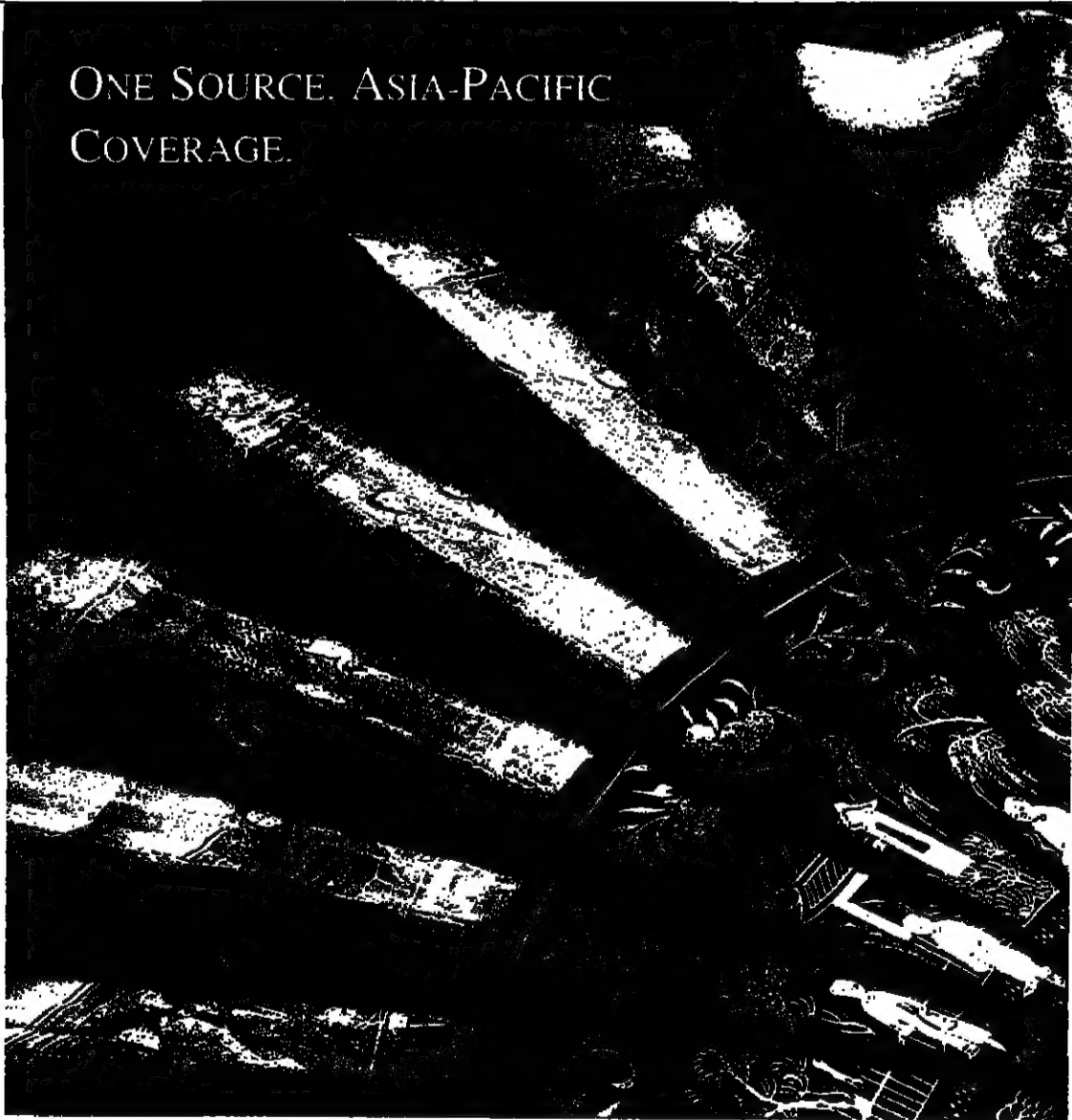
Owing to the failure of Japanese

authorities to give a credible account of the death, there were calls in Manila for an end to the deployment of Filipinas to entertain in Japan. Instead, the government imposed a "partial" ban: no Filipino aged below 23 is now allowed to work there as an entertainer.

Japan, South Korea and other more advanced economies have cut industrial costs by investing in factories in south-east Asia. Although the Philippines has missed out on much of this investment wave, its officials are hoping that some day - when the local economy starts generating enough jobs to absorb the 800,000 people who join the labour force annually - the OCWs could return home and bolster the quality of technical skills for the expected industrial boom.

Jose Galang

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